LUYUAN

绿源

綠源集團控股（開曼）有限公司*

Luyuan Group Holding (Cayman) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2451

GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

中信建投國際
CHINA SECURITIES INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

天風國際 TF INTERNATIONAL | 農銀國際 ABC INTERNATIONAL | 國泰君安國際 GUOTAI JUNAN INTERNATIONAL | 招銀国际 CMB INTERNATIONAL | ICBC 工银国际 | 浦銀國際 SPDB INTERNATIONAL

Daiwa Capital Markets | 華盛証券 | 利弗莫尔证券 LIVERMORE HOLDINGS LIMITED | 富途證券 | 軟庫中華 SBI China Capital | 中國銀河國際 CHINA GALAXY INTERNATIONAL

* For identification purposes only

LUYAN | Liquid-cooled Electric Vehicles

A Ten-Year Ride

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

Luyuan Group Holding (Cayman) Limited
綠源集團控股(開曼)有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**106,667,000 Shares**
Number of Hong Kong Offer Shares	:	**10,667,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**96,000,000 Shares (subject to reallocation)**
Maximum Offer Price	:	**HK$8.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.0001 per Share**
Stock code	:	**2451**

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

Joint Bookrunners and Joint Lead Managers

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

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, October 4, 2023 and, in any event, not later than Friday, October 6, 2023. The Offer Price will be not more than HK$8.00 per Offer Share and is currently expected to be not less than HK$6.00 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$8.00 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price is less than HK$8.00 per Offer Share. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) on or before Friday, October 6, 2023 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Overall Coordinator, with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.luyuan.cn** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S.

ATTENTION

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

This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.luyuan.cn**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

* *For identification purposes only*

September 28, 2023

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

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

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.luyuan.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

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

(a) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**;

(b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

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

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

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	4,040.35	8,000	64,645.45	70,000	565,647.60	1,000,000	8,080,680.00
1,000	8,080.68	9,000	72,726.12	80,000	646,454.40	2,000,000	16,161,360.00
1,500	12,121.02	10,000	80,806.80	90,000	727,261.20	3,000,000	24,242,040.00
2,000	16,161.35	15,000	121,210.20	100,000	808,068.00	4,000,000	32,322,720.00
2,500	20,201.70	20,000	161,613.60	200,000	1,616,136.00	5,333,500[(1)]	43,098,306.78
3,000	24,242.05	25,000	202,017.00	300,000	2,424,204.00		
3,500	28,282.38	30,000	242,420.40	400,000	3,232,272.00		
4,000	32,322.72	35,000	282,823.80	500,000	4,040,340.00		
4,500	36,363.05	40,000	323,227.20	600,000	4,848,408.00		
5,000	40,403.40	45,000	363,630.60	700,000	5,656,476.00		
6,000	48,484.08	50,000	404,034.00	800,000	6,464,544.00		
7,000	56,564.75	60,000	484,840.80	900,000	7,272,612.00		

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

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

We will issue an announcement if there is any change in the following expected timetable of the Hong Kong Public Offering.

	2023 *(Note 1)*
Hong Kong Public Offering commences	9:00 a.m. on Thursday, September 28
Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the ways below:	
• the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**	
• the designated website **www.hkeipo.hk** *(Note 2)*	11:30 a.m. on Wednesday, October 4
Application lists of the Hong Kong Public Offering open *(Note 3)*	11:45 a.m. on Wednesday, October 4
Latest time to (a) giving **electronic application instructions** to HKSCC and (b) completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) *(Note 4)*	12:00 noon on Wednesday, October 4

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

Application lists of the Hong Kong Public Offering close *(Note 3)*	12:00 noon on Wednesday, October 4
Expected Price Determination Date *(Note 5)*	Wednesday, October 4

Announcement of:	
• the Offer Price;	
• the indication of the levels of interest in the International Offering and the level of applications in the Hong Kong Public Offering; and	
• the basis of allocation of the Hong Kong Offer Shares to be published on website of the Stock Exchange at **http://www.hkexnews.hk**$^{(Note\ 6)}$ and our Company's website at **www.luyuan.cn**$^{(Note\ 6)}$ on or before$^{(Note\ 9)}$	Wednesday, October 11
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:	
• in the announcement to be posted on our Company's website at **www.luyuan.cn**$^{(Note\ 6)}$ *and the website of the Stock Exchange at* **www.hkexnews.hk**$^{(Note\ 8\ and\ 9)}$	Wednesday, October 11
• at the "IPO Results" function in the **IPO App** and the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function from$^{(Note\ 9)}$	Wednesday, October 11
• from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from$^{(Note\ 9)}$	Wednesday, October 11
Dispatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications under the Hong Kong Public Offering on or before$^{(Notes\ 8\ and\ 9)}$	Wednesday, October 11
Dispatch/collection of Share certificates into CCASS in respect of wholly or partially successful application under the Hong Kong Public Offering on or before$^{(Notes\ 7\ and\ 9)}$	Wednesday, October 11
Dealings in the Shares on the Stock Exchange expected to commence at$^{(Note\ 9)}$	9:00 a.m. on Thursday, October 12

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated.

2. You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is/are a "black" rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 4, 2023 the application lists will not open and will close on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this prospectus.

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying through the **CCASS EIPO** Service" in this prospectus.

5. The Price Determination Date is expected to be on or about Wednesday, October 4, 2023 and, in any event, not later than Friday, October 6, 2023, or such other date as agreed among the parties. If, for any reason, the Offer Price is not agreed by Friday, October 6, 2023, or such other date as agreed, between the Overall Coordinator(s) (for themselves and on behalf of the Underwriters, as applicable) and our Company, the Global Offering will not proceed and will lapse.

6. None of the websites or any of the information contained on the websites forms part of this prospectus.

7. Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, October 11, 2023, but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Thursday, October 12, 2023. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

8. e-Auto Refund payment instructions/refund cheque will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering.

9. In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Thursday, September 28, 2023 and Thursday, October 12, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

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

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the GREEN Application Form to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, affiliates, employees, agents or any other person or party involved in the Global Offering. Information contained in our website, located at www.luyuan.cn, does not form part of this prospectus.

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

OVERVIEW

We are an electric two-wheeled vehicle provider in mainland China, focusing on the design, research and development, manufacturing and selling of electric two-wheeled vehicles. According to Frost & Sullivan, mainland China's electric two-wheeled vehicle market is highly concentrated and competitive, in which we were the fifth largest manufacturer of electric two-wheeled vehicles in mainland China in terms of total revenue in 2022, with a market share of 4.2%.

Our *Luyuan* brand has over 20 years of history in mainland China's electric two-wheeled vehicle industry and participated in developing industrial standards. We have built an offline sales and distribution network, and embraced informatization and established online retail channels, continuously improving the penetration and coverage of our products. As of April 30, 2023, we had 1,314 distributors covering 319 cities across 30 provincial-level administrative regions in mainland China. During the Track Record Period, the number of retail outlets within our distribution network was over 5,400, 7,800, 9,800 and 11,400, respectively, as of December 31, 2020, 2021 and 2022 and April 30, 2023. We operated self-operated online stores on mainstream e-commerce platforms and cooperate with well-known online retailers to capture opportunities presented by the rapidly developing e-commerce in mainland China. Going forward, we attempt to bring online traffic to our physical retail outlets, which we believe will enhance the visibility of our brand and products and make our products more accessible to potential consumers primarily through the use of online marketing methods. In recent years we have been developing corporate and institutional customers, including shared mobility service providers and on-demand e-commerce companies which allowed us to benefit from the quick growth of e-commerce, food delivery, on-demand delivery, and shared mobility markets which all have strong demand for electric two-wheeled vehicles. In addition, through cooperation with overseas distributors, our products were sold in 37 countries and regions including Thailand, Indonesia and the Philippines during the Track Record Period. During the Track Record Period, revenue generated from overseas distributors accounted for a minimal portion of our total revenue. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from overseas distributors accounted for 1.7%, 1.9%, 2.4%, 4.0% and 0.5%, respectively, of our revenue from sales of products for the respective periods.

We currently operate three production plants located in Zhejiang, Shandong and Guangxi. As of December 31, 2022, our annual production capacity of electric two-wheeled vehicles was approximately 3.3 million units. Through our continuous investment in upgrading our production equipment, we strive to bring products with controllable product quality to consumers to further improve our brand image, while maintaining our scale advantage.

We attach great importance to upgrading our products and developing relevant technologies. Our core technologies cover key components of electric two-wheeled vehicles such as motors, controllers, batteries and chargers. Technological developments and progress have significantly improved the service life and safety level of our electric two-wheeled vehicles. In terms of technological research and development, we focused on areas with strong growth potential such as lithium-ion battery safety and electric two-wheeled vehicles with smart functions. As of the Latest Practicable Date, we held a total of 437 patents in mainland China, of which 46 were invention patents, 251 were utility model patents and 140 were design patents.

During the Track Record Period, we achieved strong growth. Our revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022, representing a CAGR of 41.8%. Our revenue increased by 42.1% from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the same period in 2023. However, the market size of electric two-wheeled vehicles in terms of total sales volume in mainland China is estimated by Frost & Sullivan to increase at a CAGR of 4.6% from 2023 to 2027, contrastingly lower than 17.1% from 2018 to 2022. Given the increasing competition and slower growth in the electric two-wheeled vehicles industry, we may not be successful in maintaining the high historical growth of our business. For a relevant risk factor, see “Risk Factors – Risks Relating to Our Business and Industry – We may not be successful in maintaining the growth and profitability of our business”.

STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and have contributed to our success: (i) We are a well-known electric two-wheeled vehicle brand that has continuously contributed to the industry development; (ii) We continuously invest in research and development capabilities in core technologies; (iii) We emphasize product development capabilities and make durable products with both fashion and performance; (iv) We have built a nationwide offline distribution network and enjoy mature channel management advantages; (v) We enjoy the scale advantage of the layout of our production plants close to our markets and our mature production process which ensures good and stable quality; and (vi) We have a professional and experienced management team.

STRATEGIES

Leveraging our competitive strengths, we aim to become an enterprise leading the development of mainland China's electric two-wheeled vehicle industry by implementing the following strategies: (i) Further enhance brand awareness and increase market share in mainland China; (ii) Further enhance production capacity to support rapid business growth; (iii) Further upgrade, expand and optimize the layout of our sales and distribution network; (iv) Further enhance our research and development capabilities to solidify our position in product and technology; (v) Continue to attract, train and motivate talented professionals; and (vi) Steadily expand our business in international markets.

OUR PRODUCTS

During the Track Record Period, our revenue was mainly derived from the sale of electric two-wheeled vehicles which can be broadly classified into electric motorcycles, electric mopeds, and electric bicycles. To a substantially lesser extent, we also generated revenue from sale of other special function vehicles, batteries and other vehicle parts, and the provision of various services to our distributors. The following table sets forth a breakdown of (i) our revenue by type of product and (ii) revenue generated from the provision of services to distributors during the Track Record Period.

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Types of products										
Electric bicycles	1,010,096	42.5	1,423,625	41.7	2,232,086	46.7	450,089	38.7	804,532	48.7
Electric mopeds	722,892	30.4	495,043	14.5	258,177	5.4	104,385	9.0	27,241	1.6
Electric motorcycles	244,920	10.3	686,672	20.1	953,887	19.9	265,019	22.8	377,373	22.9
Batteries[1]	306,366	12.9	606,128	17.7	1,052,365	22.0	257,859	22.2	363,116	22.0
Electric two-wheeled vehicle parts[2]	60,220	2.5	147,793	4.3	226,164	4.7	67,952	5.9	57,574	3.5
Others	11,430	0.5	5,446	0.2	5,090	0.1	318	0.0	61	0.0
Subtotal	2,355,924	99.1	3,364,707	98.5	4,727,769	98.8	1,145,622	98.6	1,629,897	98.7
Types of services										
Training services	10,421	0.4	28,081	0.8	36,765	0.8	13,049	1.1	14,425	0.9
Others	11,987	0.5	24,899	0.7	18,489	0.4	3,290	0.3	7,102	0.4
Subtotal	22,408	0.9	52,980	1.5	55,254	1.2	16,339	1.4	21,527	1.3
Total	**2,378,332**	**100.0**	**3,417,687**	**100.0**	**4,783,023**	**100.0**	**1,161,961**	**100.0**	**1,651,424**	**100.0**

Notes:

1. Representing batteries sold together with our electric two-wheeled vehicles.

2. Representing vehicle parts, such as tires and batteries, sold separately to distributors for their provision of after-sales services to end customers.

Revenue from electric bicycles and electric motorcycles increased at a CAGR of 48.7% and 97.3%, respectively, from 2020 to 2022. Revenue from electric bicycles and electric motorcycles further increased by 78.7% and 42.4%, respectively, for the four months ended April 30, 2023 as compared to the corresponding period in 2022. Such increases were primarily due to the significant increase in the sales volume of both types of products during the Track Record Period. Revenue from electric mopeds decreased from RMB722.9 million in 2020 to RMB258.2 million in 2022, and further decreased from RMB104.4 million for the four months ended April 30, 2022 to RMB27.2 million for the four months ended April 30, 2023, primarily due to changes in consumer preferences caused by the implementation of the New National Standards, which imposed new restrictions on the specifications of electric mopeds that made it a less favorable choice for consumers than other types of electric two-wheeled vehicles, leading to a decline in customer demand. Electric bicycles, being the most popular type of electric two-wheeled vehicles for consumers and our main focus, accounted for the largest proportion of our revenue during the Track Record Period.

The following table sets forth the sales volume and average selling prices per unit of our electric vehicles (excluding batteries) for the years indicated:

	For the year ended December 31,						**For the four months ended April 30,**			
	2020		**2021**		**2022**		**2022**		**2023**	
	Sales volume	**Average selling price per unit**	**Sales volume**	**Average selling price per unit**	**Sales volume**	**Average selling price per unit**	**Sales volume**	**Average selling price per unit**	**Sales volume**	**Average selling price per unit**
	unit	*RMB*	*unit*	*RMB*	*unit*	*RMB*	*unit*	*RMB*	*unit*	*RMB*
Electric bicycles	873,708	1,156	1,218,462	1,168	1,705,300	1,309	361,204	1,246	674,502	1,193
Electric mopeds	451,504	1,601	330,913	1,496	172,467	1,497	68,070	1,533	18,413	1,479
Electric motorcycles	144,874	1,691	398,304	1,724	546,601	1,745	152,593	1,737	230,435	1,638
Others	2,379	4,805	654	8,327	199	25,580	8	39,657	2	30,897
Total	**1,472,465**	**1,351**	**1,948,333**	**1,340**	**2,424,567**	**1,423**	**581,875**	**1,409**	**923,352**	**1,310**

The following table sets forth a breakdown of our gross profit and gross profit margins of our products (excluding provision of services) by type of products for the years indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(In thousands, except for percentages)									
							(unaudited)			
Electric bicycles	94,710	9.4	101,192	7.1	272,800	12.2	27,623	6.1	83,820	10.4
Electric mopeds	94,495	13.1	39,808	8.0	32,511	12.6	11,974	11.5	4,408	16.2
Electric motorcycles	37,529	15.3	88,247	12.9	142,595	14.9	27,355	10.3	58,095	15.4
Batteries[1]	23,849	7.8	71,473	11.8	15,403	1.5	7,651	3.0	12,115	3.3
Electric two-wheeled vehicle parts[2]	12,540	20.8	32,739	22.2	41,496	18.3	13,430	19.8	10,471	18.2
Others	694	6.1	673	12.4	1,273	25.0	101	31.9	24	38.5
Total	**263,817**	**11.2**	**334,133**	**9.9**	**506,078**	**10.7**	**88,134**	**7.7**	**168,933**	**10.4**

Notes:

1. Representing batteries sold together with our electric two-wheeled vehicles.

2. Representing vehicle parts, such as tires and batteries, sold separately to distributors for their provision of after-sales services to end customers.

Product Pricing

We price our products based on various factors, including the market positioning for the specific product, supply and demand, procurement and production costs, spending patterns of our target consumers, the prices of competing brands' products, and the anticipated profit margins for us.

We set distribution prices and suggested wholesale prices which represent the prices at which we sell our products to distributors and the prices at which distributors sell our products to their sub-distributors, respectively. For sales to end-customers through distributors and sub-distributors, we set recommended retail prices for our products, which are subject to minor adjustments (typically less than 10% from the recommended retail prices of the respective products) by distributors reflecting the local competitive environment. In certain circumstances, we may set minimum retail price for products that distributors have enjoyed a certain wholesale price or maximum retail price to achieve balance between sales volume to end-customers and selling prices. Retail prices for our products available in our self-operated online stores are typically higher than our recommended retail prices provided to offline distributors primarily for the protection of the business of distributors and their sub-distributors.

SALES AND DISTRIBUTION NETWORK

We distribute our products mainly through offline distributors complimented by our online channels, corporate and institutional customers and overseas distributors. The table below sets out a breakdown of our revenue from sales of our products by channel during the periods indicated:

	Year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Offline channels	1,664,844	70.7	2,771,684	82.4	4,245,048	89.8	1,057,484	92.3	1,455,681	89.3
– Eastern China	884,198	37.5	1,517,639	45.1	2,508,014	53.0	571,498	49.9	728,768	44.7
– Central and Southern China	463,614	19.7	756,718	22.5	1,090,314	23.1	300,338	26.2	432,091	26.5
– Southwestern China	87,193	3.7	134,292	4.0	250,946	5.3	74,059	6.5	125,391	7.7
– Northern China	117,044	5.0	217,198	6.5	218,029	4.6	58,096	5.1	102,103	6.3
– Other regions	112,795	4.8	145,837	4.3	177,745	3.8	53,493	4.7	67,328	4.1
Online channels	97,550	4.1	108,768	3.2	271,697	5.7	24,333	2.1	72,041	4.4
Corporate and institutional clients	554,037	23.5	421,003	12.5	96,427	2.1	17,897	1.6	94,614	5.8
Overseas distributors	39,493	1.7	63,252	1.9	114,597	2.4	45,908	4.0	7,561	0.5
Total	**2,355,924**	**100.0**	**3,364,707**	**100.0**	**4,727,769**	**100.0**	**1,145,622**	**100.0**	**1,629,897**	**100.0**

Revenue from offline channels increased at a CAGR of 59.7% during the Track Record Period along with the expansion of our retail network, as the number of retail outlets operated by offline distributors or sub-distributors within our distribution network amounted to over 5,400, 7,800, 9,800 and 11,400 as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Sales through retail outlets were accounted for sales to offline distributors, and therefore the expansion of our retail network facilitated the increase in our revenue from offline distributors. Specifically, the expansion of the retail outlet network has enabled offline distributors to target a wider range of consumers, resulting in greater demand for products and driving the increase of our sales to offline distributors. Revenue from online channels, comprising our self-operated online stores on major e-commerce platforms and social media platforms, increased at a CAGR of 66.9% during the Track Record Period. With the rise of shared economy and on-demand e-commerce, especially those that utilize electric two-wheeled vehicles, we customized and manufactured electric two-wheeled vehicles for a number of leading shared mobility service providers and on-demand e-commerce brands, and other corporate and institutional customers. Revenue from corporate and institutional clients fluctuated during the Track Record Period primarily because sales to corporate and institutional clients were largely affected by the cyclical nature of the shared mobility industry and the demand of a few major shared mobility service providers. In addition, sales to corporate and institutional clients usually had a longer payment collection period than sales through other channels, which brought challenges to maintaining a healthy cash flow. Therefore, we were usually cautious about taking orders from corporate and institutional clients and might decline less profitable orders. Considering the shared mobility market being highly competitive and close to saturation, we adjusted our sales and marketing strategy for the purpose of risk control and strove to expand our offline distributor network to promote the sales of our self-developed products. The majority of our revenue from corporate and institutional clients were contributed by two major shared mobility service providers. Since the second half of 2021, these two major shared mobility service providers had reduced their purchases of electric bicycles from suppliers due to adjustments of their business strategy. As a result, orders from corporate and institutional clients decreased in 2022, leading to the significant decrease in revenue from corporate and institutional clients.

The following table sets forth a breakdown of our gross profit and gross profit margins of our products (excluding provision of services) by sales channels for the years indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(In thousands, except for percentages)									
							(unaudited)			
Offline channels	167,489	10.1	261,430	9.4	401,276	9.5	69,048	6.5	137,245	9.4
Online channels	17,913	18.4	18,468	17.0	54,674	20.1	5,508	22.6	20,790	28.9
Corporate and institutional clients	64,539	11.6	35,369	8.4	14,406	14.9	1,402	7.8	9,146	9.7
Overseas distributors	13,875	35.1	18,867	29.8	35,721	31.2	12,176	26.5	1,752	23.2
Total	**263,817**	**11.2**	**334,133**	**9.9**	**506,078**	**10.7**	**88,134**	**7.7**	**168,933**	**10.4**

For detailed analysis, see "Financial Information – Description of Key Components of Our Results of Operations – Gross Profit and Gross Profit Margin."

Our Customers

Our customers are primarily our distributors in mainland China, international distributors, corporate and institutional clients and end customers from our self-operated online stores. In 2020, 2021 and 2022 and the four months ended April 30, 2023, the aggregate revenue generated from our top five customers in each period during the Track Record Period accounted for 26.7%, 19.4%, 11.6% and 13.3% of our total revenue for the respective periods. For the same periods, revenue generated from our largest customer in each period during the Track Record Period accounted for 16.4%, 8.4%, 4.0% and 4.7% of our total revenue for the respective periods. The relatively higher contribution of our five largest customers and largest customer for 2020 and 2021 were primarily due to the larger revenue contribution from our corporate and institutional customers including shared mobility service providers and on-demand e-commerce brands following the rise of shared economy and on-demand e-commerce.

Historical Product-Related Non-Compliance

In 2020 and 2021, Shandong Luyuan received eight administrative penalties issued by Yinan County Market Supervision and Administration which found that certain products produced by Shandong Luyuan were in violation of requirements as specified in the Product Quality Law of the PRC. Such non-compliance incidents occurred primarily due to (i) inconsistencies in the implementation and interpretation of the New National Standards during the transition period from the old national standards and (ii) unstable quality of raw materials such as controllers and lights provided by certain suppliers.

Shandong Luyuan has fully rectified the non-compliance incidents pursuant to requirements of the relevant administrative penalty decisions and have implemented a number of corrective measures to address these incidents of non-compliance. As advised by our PRC Legal Advisors, the relevant administrative penalty decisions have been enforced in full and Shandong Luyuan is not subject to any further penalty with respect to such non-compliance incidents. As such, we are not subject to any further potential administrative, legal operational or financial exposure in relation to these administrative penalties. In addition, in interviews with the Yinan County Market Supervision and Administration, it was confirmed that these eight administrative penalties were not serious and material non-compliances and we are entitled to continue to produce and sell conforming products of the relevant product models.

Based on the above and further considerations discussed in detail in the section headed "Business — Legal Proceedings and Compliance — Compliance — Non-compliance with PRC Law", we believe that these administrative penalties do not pose any material potential impact on our Group.

Distributor Administrative Penalty Decisions

Administrative agencies in mainland China, including local branches of the SAMR, conduct periodic inspections of products in the market, including electric two-wheeled vehicles. During the Track Record Period and up to the Latest Practicable Date, we have noticed that a number of our distributors and their sub-distributors were subject to administrative penalty decisions primarily due to their alteration of our vehicles without our prior approval or authorization. Such unauthorized alterations arise primarily from distributors and sub-distributors following request for alterations from customers for higher speed, enhanced aesthetic appeal and additional features. In the opinion of our Directors, such unauthorized alterations of our vehicles by distributors and sub-distributors and the corresponding administrative penalties did not and will not have any material impact on our financial conditions and results of operations primarily on the basis that (i) all administrative penalty decisions related to unauthorized alterations were issued to the respective distributors or sub-distributors and we were not subject to any administrative penalties due to such administrative penalty decisions, (ii) all relevant products had qualified factory inspection reports when delivered to the distributors, (iii) none of our Directors or employees had knowledge of, authorized, acknowledged or consented to the alterations carried out by distributors or their sub-distributors, (iv) our PRC Legal Advisors are of the view that the likelihood that we will be found legally responsible for such non-compliance incidents caused by such alterations is remote, and (v) to the best of our Directors' knowledge, there were no material accidents, complaints, safety issues, warranty claims and/or litigations against our Group arising from unauthorized alterations of our products during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm, as of the Latest Practicable Date, there are no ongoing investigations by any relevant regulatory authorities against our Group in relation to unauthorized alterations by distributors or sub-distributors. We have also implemented a number of measures and procedures in response to manage associated risks and prevent re-occurrence. For further details, see "Business – Distributor Administrative Penalty Decisions." For a relevant risk factor, see "Risk Factors – Risks Relating to Our Business and Industry – Some of our distributors have been subject to penalties for making unauthorized alterations to our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects."

SUPPLY CHAIN MANAGEMENT

To ensure the quality of our products, during the Track Record Period, we produced our products in-house at our three strategically located production plants, namely the Zhejiang Plant, Shandong Plant and Guangxi Plant. In 2020, 2021 and 2022 and the four months ended April 30, 2023, the utilization rates of our production plants were approximately 78.4%, 88.3%, 74.0% and 79.5%, respectively. We have invested in upgrading our production equipment of our production plants. Our new factory in Zhejiang utilizes unmanned material handling systems and overhead conveyor systems that greatly enhance production efficiency. We implement our quality control standards throughout our entire supply chain, from sourcing of raw materials, production, packaging and inventory storage to sale and delivery.

The key raw materials, parts and components for our operations primarily include (i) metal and plastic components, (ii) batteries, including lead-acid batteries and lithium-ion batteries, and (iii) control units and tires. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, raw materials and consumables used attributable to our cost of sales amounted to RMB1,920.7 million, RMB2,775.3 million, RMB3,883.5 million, RMB968.4 million and RMB1,344.5 million, respectively, representing 91.8%, 91.6%, 92.0%, 91.6% and 92.0%, respectively, of total cost of sales for the same periods.

Our Suppliers

During the Track Record Period, our major suppliers are suppliers of lead-acid batteries and lithium-ion batteries, control units, magnetic steel and tires. In 2020, 2021 and 2022 and the four months ended April 30, 2023, purchase from our five largest suppliers in each period during the Track Record Period accounted for 17.4%, 24.0%, 31.7% and 29.8%, respectively, of our total purchase amount for the respective periods. For the same periods, purchase from our largest supplier in each period during the Track Record Period accounted for 8.1%, 9.8%, 10.4% and 14.4%, respectively, of our total purchase amount for the respective periods.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the periods or as of the dates indicated. This summary has been derived from our historical financial information included in the Accountant's Report as set out in Appendix I. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountant's Report as set out in Appendix I, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with HKFRS.

Summary of Consolidated Income Statements

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Revenue	2,378,332	100.0	3,417,687	100.0	4,783,023	100.0	1,161,961	100.0	1,651,424	100.0
Cost of Sales	(2,092,108)	(88.0)	(3,030,574)	(88.7)	(4,221,691)	(88.3)	(1,057,487)	(91.0)	(1,460,964)	(88.5)
Gross Profit	**286,224**	**12.0**	**387,113**	**11.3**	**561,332**	**11.7**	**104,474**	**9.0**	**190,460**	**11.5**
Selling and marketing costs	(121,423)	(5.1)	(192,388)	(5.6)	(259,567)	(5.4)	(53,188)	(4.6)	(98,845)	(6.0)
Administrative expenses	(61,420)	(2.6)	(64,444)	(1.9)	(89,059)	(1.9)	(26,665)	(2.3)	(27,031)	(1.6)
Research and development costs	(83,521)	(3.5)	(95,826)	(2.8)	(150,498)	(3.1)	(29,021)	(2.5)	(41,858)	(2.5)
Other income	29,269	1.2	26,816	0.8	37,750	0.8	12,079	1.0	17,964	1.1

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Income tax (expense)/ credit	(3,036)	(0.1)	(2,331)	(0.1)	(4,218)	(0.1)	6,786	0.6	1,953	0.1
Profit for the year/ period	**40,281**	**1.7**	**59,260**	**1.7**	**118,030**	**2.5**	**16,441**	**1.4**	**41,040**	**2.5**
Attribute to:										
Equity holders of the company	40,293	1.7	59,260	1.7	118,030	2.5	16,441	1.4	41,040	2.5
Non-controlling interests	(12)	(0.0)	–	–	–	–	–	–	–	–

Our net profit increased from RMB40.3 million in 2020 to RMB118.0 million in 2022, representing a CAGR of 71.2%. Our net profit increased by 149.6% from RMB16.4 million for the four months ended April 30, 2022 to RMB41.0 million for the four months ended April 30, 2023. Such increases were primarily because (i) revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022 at a CAGR of 41.8%, and increased by 42.1% from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the four months ended April 30, 2023, mainly attributable to the significant increase in the sales volume of both our electric bicycles and electric motorcycles; (ii) our selling and marketing costs, administrative expenses, and research and development costs generally remained relatively stable as a percentage of revenue during the Track Record Period as a result of our cost control efforts and economies of scale; and (iii) we received government grants recognized as other income of RMB11.6 million, RMB10.2 million, RMB20.5 million, RMB7.6 million and RMB15.0 million in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively, which comprised general support from governments, subsidies for stabilizing employment, tax refunds and VAT deductions, subsidies to relieve COVID-19 impacts and other small subsidies from local government. For a detailed analysis, see "Financial Information – Year on Year Comparison of Results of Operations." Our other income primarily consists of income of obsolete material and work in progress, income of operating lease, interest income from related and third parties, interest income from time deposits and government grants.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(unaudited)*	%	*RMB'000*	%
Raw materials and consumables used	1,920,690	91.8	2,775,258	91.5	3,883,483	92.0	968,382	91.6	1,344,535	92.0
– Batteries	320,814	15.4	595,017	19.6	1,124,547	26.6	271,648	25.7	391,027	26.8
– Motors	259,927	12.4	404,513	13.3	544,813	12.9	141,418	13.4	181,148	12.4
– Frames and iron spare parts	255,788	12.2	368,548	12.2	375,365	8.9	101,186	9.6	129,000	8.8
– Plastic parts	230,531	11.0	311,854	10.3	395,400	9.4	87,282	8.3	128,475	8.8
– Shock absorbers	131,813	6.3	179,690	5.9	201,254	4.8	54,062	5.1	74,377	5.1
– Tires	90,008	4.3	112,463	3.7	141,438	3.4	37,168	3.5	50,743	3.5
– Others	631,809	30.2	803,173	26.5	1,100,666	26.1	275,618	26.0	389,765	26.6
Employee benefits expenses	44,392	2.1	74,757	2.5	111,432	2.6	34,456	3.3	32,493	2.2
Others[Note]	127,026	6.1	180,559	6.0	226,776	5.4	54,649	5.2	83,936	5.7
Total	**2,092,108**	**100.0**	**3,030,574**	**100.0**	**4,221,691**	**100.0**	**1,057,487**	**100.0**	**1,460,964**	**100.0**

Note: Others mainly include outsourcing labor fee, freight, depreciation of property, plant and equipment, expense relating to short-term leases or low value leases, tax and surcharges, design fee, office expense, advertising expenses, travel expenses, and consulting costs.

Summary of Consolidated Balance Sheets

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	598,980	960,266	1,086,035	1,131,543
Current assets	969,268	1,705,627	2,097,965	2,408,963
Total assets	**1,568,248**	**2,665,893**	**3,184,000**	**3,540,506**
Non-current liabilities	15,875	165,940	389,024	513,117
Current liabilities	1,050,673	1,939,849	2,115,138	2,306,748
Total liabilities	**1,066,548**	**2,105,789**	**2,504,162**	**2,819,865**
Net current (liabilities)/assets	**(81,405)**	**(234,222)**	**(17,173)**	**102,215**
Net assets	**501,700**	**560,104**	**679,838**	**720,641**

We recorded net current liabilities as of December 31, 2020, 2021 and 2022, mainly due to the increase in bank loan for the expansion of our production capabilities, including the construction of our Guangxi Plant and our new factory in Zhejiang Plant. To improve our net current liabilities position and ensure working capital sufficiency, we have negotiated with banks to obtain medium or long-term loans to replace our short-term loans, which primarily resulted in our net current liabilities during the Track Record Period. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we have successfully obtained nil, RMB143.0 million, RMB369.7 million and RMB493.2 million medium and long-term loans. We will continue to improve capital turnover and increase the proportion of current assets in our total assets.

Our net current liabilities increased significantly from RMB81.4 million as of December 31, 2020 to RMB234.2 million as of December 31, 2021, primarily due to (i) an increase in trade and notes and other payables of RMB487.7 million and (ii) an increase in borrowings of RMB367.1 million, partially offset by (iii) an increase in inventories of RMB179.6 million and (iv) an increase in financial assets at FVTPL of RMB364.5 million. Our net current liabilities then decreased to RMB17.2 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB173.0 million attributable to our operating cash inflows resulted from our sales growth, (ii) an increase in trade and notes and lease receivables of RMB136.9 million, (iii) an increase in financial assets at fair value through profit or loss of RMB105.5 million, and (iv) a decrease in current borrowings of RMB236.2 million, partially offset by an increase in trade and notes and other payables of RMB398.0 million. We recorded net current liabilities of RMB17.2 million as of December 31, 2022 whereas we recorded net current assets of RMB102.2 million as of April 30, 2023, primarily due to (i) an increase in cash and cash equivalents of RMB88.5 million attributable to our operating cash inflows resulted from our sales growth, (ii) an increase in debt instruments at fair value through other comprehensive income of RMB73.1 million as a result of the increasing use of acceptance bills by our distributors, (iii) an increase in time deposits of RMB64.5 million, and (iv) an increase in financial assets at FVTPL of RMB48.3 million representing our investments in certificate of deposits, wealth management products and structured deposits using idle cash, partially offset by (v) an increase in current borrowings of RMB164.0 million.

Our net assets amounted to RMB501.7 million, RMB560.1 million, RMB679.8 million and RMB720.6 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, primarily due to the increase in profit for the year of RMB59.3 million, RMB118.0 million and RMB41.0 million for the year ended December 31, 2021 and 2022 and the four months ended April 30, 2023, respectively.

Summary of Consolidated Statements of Cash Flows

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash (used in)/generated from operating activities	(10,371)	144,388	509,892	208,699	2,584
Net cash used in investing activities	(31,062)	(562,522)	(294,096)	(159,118)	(187,038)
Net cash generated from/(used in) from financing activities	8,371	464,851	(44,864)	139,922	273,013
Net (decrease)/increase in cash and cash equivalents	(33,062)	46,717	170,932	189,503	88,559
Cash and cash equivalents at beginning of the year/period	209,504	175,370	222,012	222,012	395,038
Effect of foreign exchange rate changes, net	(1,072)	(75)	2,094	36	(10)
Cash and cash equivalents at end of the year/period	175,370	222,012	395,038	411,551	483,587

Our cash and cash equivalents increased consistently during the Track Record Period, primarily due to (i) operating cash inflows as a result of our rapid revenue growth and (ii) proceeds from borrowings, partially offset by (iii) cash outflows for purchase of property, plant and equipment for the construction of our production facilities. For details, see "Financial Information – Liquidity and Capital Resources."

In 2020, our net cash used in operating activities was primarily attributable to (i) an increase in debt instruments at fair value through other comprehensive income of RMB140.1 million representing bank acceptance bills from corporate and institutional clients and (ii) a decrease in inventories of RMB73.6 million, partially offset by (iii) an increase in restricted cash of RMB88.2 million and (iv) an increase in other receivables and prepayments of RMB15.4 million.

Key Financial Ratios

	For the year ended/As of December 31,			For the four months ended/As of April 30,
	2020	2021	2022	2023
Return on equity[1] (%)	8.3%	11.2%	19.0%	17.6%[6]
Return on assets[2] (%)	2.6%	2.8%	4.0%	3.7%[6]
Current ratio[3] (times)	0.92	0.88	0.99	1.04
Quick ratio[4] (times)	0.72	0.68	0.78	0.86
Gearing ratio[5] (%)	32.0%	119.4%	97.3%	131.5%

Notes:

1. Return on equity equals profit for the year/period divided by the average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.

2. Return on assets equals profit for the year/period divided by the average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

3. Current ratio equals current assets divided by current liabilities as of the same date.

4. Quick ratio equals current assets less inventories and divided by current liabilities as of the same date.

5. Gearing ratio equals total debt, comprising borrowings and lease liabilities, divided by total equity as of the same date and multiplied by 100%.

6. Calculated on an annualized basis.

Return on equity and return on assets increased continuously from 2020 to 2022, primarily due to our profit growth. Return on equity and return on assets decreased for the four months ended April 30, 2023 compared with the same period in 2022, primarily due to the seasonality of our results of operations. See "Financial Information – Significant Factors Affecting Our Results of Operations – Seasonality" for details. Current ratio and quick ratio decreased in 2021 primarily due to the increase in our short-term bank loans which were included in current liabilities. Current ratio and quick ratio increased in 2022 and the four months ended April 30, 2023, primarily due to the increase in our cash and cash equivalents attributable to our cash flows generated from operating activities and a slow-down in our long-term investments. Our gearing ratio increased significantly in 2021, primarily due to the increase in our borrowings for the construction of our Guangxi Plant and our new factory in Zhejiang Plant. Our gearing ratio decreased in 2022, primarily due to an increase in retained earnings. Our gearing ratio increased for the four months ended April 30, 2023, primarily because (i) we increased our bank borrowings to ensure liquidity, and (ii) we obtained medium or long-term loans in order to replace our short-term loans which would due in the near future. For details, see "Financial Information – Key Financial Ratios."

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$668.6 million (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$7.00 per Offer Share, being the mid-point of the Offer Price range of HK$6.00 to HK$8.00 per Offer Share. We intend to use the net proceeds from the Global Offering in the following manner:

- approximately 30.0%, or HK$200.6 million, is expected to be used for our research and development efforts to maintain our technical edge.

- approximately 30.0%, or HK$200.6 million, is expected to be used to strengthen our sales and distribution channels and for branding and marketing activities to raise our brand awareness.

- approximately 30.0%, or HK$200.6 million, is expected to be used to strengthen our production capabilities, mainly involving the construction of new production facilities and upgrading of production equipment and machinery.

- approximately 10.0%, or HK$66.9 million, is expected to be used for working capital and other general corporate purposes.

DIVIDEND

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to our Shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our Shareholders such interim dividends as appear to our Directors to be justified by the profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Our Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to accounting principles in mainland China. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have any fixed dividend policy.

PRE-IPO INVESTMENTS AND OUR CONTROLLING SHAREHOLDERS

In 2011 and 2015, we have introduced Pre-IPO Investors, namely Shipston, New Healthcare PPE and New Power PPE, into our Company. As of the Latest Practicable Date, Shipston held 8% Shares, and New Healthcare PPE and New Power PPE ceased to hold Shares following repurchase of Shares by our Company in 2018. See "History, Reorganization and Corporate Structure — Pre-IPO Investments" for further details.

Immediately after the completion of the Global Offering and the Capitalization Issue, Mr. Ni, through Drago Investments and Best Expand, and Ms. Hu, through Apex Marine and Best Expand, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 65.08% of the issued share capital of our Company. Drago Investments is wholly owned by Mr. Ni. Apex Marine is wholly owned by Ms. Hu. Best Expand is owned as to 50% by Mr. Ni and 50% by Ms. Hu. Accordingly, Mr. Ni, Ms. Hu, Drago Investments, Apex Marine and Best Expand will continue to be our Controlling Shareholders under the Listing Rules.

RISK FACTORS

There are certain risks involved in the investment in the Offer Shares, among which the relatively material risks include the following: (i) Any quality issues related to our products or the electric two-wheeled vehicle industry could result in a loss of customers and sales and, if related to our products, may subject us to administrative penalties and product liability claims; (ii) Our business depends significantly on market recognition of our "*Luyuan*" (綠源) brand, and any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations; (iii) Any negative publicity involving us, our products, our Company, Directors, our management team, employees, spokespersons, our competitors, or our industry regardless of its veracity, could adversely affect our business; (iv) We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and prospects may be materially and adversely affected; (v) We operate in a competitive industry and if we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected; (vi) We may not be successful in maintaining the growth and profitability of our business; (vii) Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, including the COVID-19 outbreak, may materially and adversely affect our business, financial condition and results of operations. See "Risk Factors" for further details.

LISTING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 106,667,000 Shares are issued and sold in the Global Offering; and (ii) 426,667,000 Shares are issued and outstanding following the completion of the Global Offering and the Capitalization Issue.

	Based on an Offer Price of HK$6.00 per Share	**Based on an Offer Price of HK$8.00 per Share**
Market capitalization of the Shares following the completion of the Global Offering and the Capitalization Issue	HK$2,560.0 million	HK$3,413.3 million
Unaudited pro forma adjusted consolidated net tangible assets per Share of the Company attributable to owners of the Company[1]	HK$3.22	HK$3.70

Note:

1. The unaudited pro forma adjusted consolidated net tangible assets per Share of the Company attributable to owners of the Company were calculated after adjustments as specified in "Appendix II – Unaudited Pro Forma Financial Information." No other adjustment has been made to the above unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2023.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$78.1 million or 10.5% of the gross proceeds of the Global Offering (including underwriting commission of approximately HK$29.9 million, and non-underwriting related expenses of approximately HK$48.2 million which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK$30.2 million and other fees and expenses of approximately HK$18.0 million, assuming an Offer Price of HK$7.00 per Share, being the mid-point of the indicative Offer Price range). During the Track Record Period, we incurred listing expenses of RMB27.6 million, of which RMB0.2 million, RMB15.1 million, RMB2.8 million and RMB4.1 million were recognized in the consolidated income statements and consolidated statements of comprehensive income for the year ended December 31, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively, and RMB54,000, RMB5.7 million and RMB8.2 million was recognized as prepayments in the consolidated balance sheets as of December 31, 2021 and 2022 and April 30, 2023, respectively, which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of RMB44.0 million prior to and upon completion of the Global Offering, of which (i) RMB13.2 million is expected to be recognized as expenses in our consolidated income statements and consolidated statements of comprehensive income, and (ii) RMB30.8 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

RECENT DEVELOPMENTS

Our business and financial performance grew stably following the Track Record Period and up to the Latest Practicable Date. The sales volume of our electric two-wheeled vehicles increased by 28.6% from approximately 1.3 million units for the seven months ended July 31, 2022 to approximately 1.7 million units for the seven months ended July 31, 2023 primarily driven by the expansion of our network of offline distributors. As of July 31, 2023, we cooperated with 1,373 offline distributors in mainland China who controlled over 11,900 retail outlets in mainland China. As a result, based on the unaudited consolidated management accounts for the seven months ended July 31, 2023, revenue for the seven months ended July 31, 2023 has exceeded our revenue for the seven months ended July 31, 2022.

Our Directors confirm that, save as disclosed above, up to the date of this prospectus, there has been no material adverse change in our financial and trading position since April 30, 2023, and there is no event since April 30, 2023 which would materially affect the audited financial information as set out in Appendix I to this prospectus.

Recent Regulatory Development

Regulations Relating to Overseas Listing

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Trial Measures**") and five supporting guidelines, which became effective on March 31, 2023. According to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) on or prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

Based on the foregoing, as the total assets, net assets, revenues and profits of our domestic operating entities in the most recent accounting year account for more than 50% of the corresponding figures in the Company's audited consolidated financial statements for the same period; and the Group's major operational activities are carried out in mainland China, our Directors and our PRC Legal Advisors are of the view that, we need to complete the filing procedures with the CSRC in connection with the Listing pursuant to the Trial Measures. The PRC legal advisers to the Sole Sponsor and the Sole Sponsor also concurred with the aforesaid view of our Directors and our PRC Legal Advisors. We have completed the filing procedures with the CSRC in connection with the Listing and the CSRC issued the filing notice on July 5, 2023. See "Regulatory Overview – Regulations Relating to M&A Rules and Overseas Listing" for details.

Recent Intellectual Property Infringement Claim

On September 19, 2023, we received a lawsuit filed by a patent owner as the plaintiff. The lawsuit names our Group and other co-defendants alleging that one electric bicycle product the plaintiff procured from our Tmall flagship store infringes a patent regarding a type of rechargeable battery allegedly held by the plaintiff. Based on public records, this patent at issue has expired and become invalid on March 8, 2022. The plaintiff is seeking a total of RMB100 million in monetary damages from our Group and other co-defendants. Additionally, the plaintiff submitted a court application for property preservation of RMB3.0 million of cash in our bank account, which the court has approved. Evidence submitted by the plaintiff includes only one allegedly infringing folding electric bicycle which was manufactured by a third party.

We intend to defend ourselves vigorously. Although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, taking into account the view of our PRC Legal Advisors, our Directors are of the view that this lawsuit will not have any material adverse impact on our business, results of operations and financial conditions. For further details, see "Business – Legal Proceedings and Compliance – Legal Proceedings – Recent Intellectual Property Infringement Claim".

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountant's Report"	the report of the Reporting Accountant, the text of which is set out in Appendix I to this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Anhui Baijiayu"	Anhui Baijiayu Luyuan Electric Vehicle Sales Co., Ltd. (安徽百加宇綠源電動車銷售有限公司), a company established in the PRC with limited liability on June 25, 2012 and a subsidiary of our Company prior to its deregistration on June 4, 2020
"Apex Marine"	Apex Marine Investments Limited, a company incorporated in the British Virgin Islands with limited liability on March 9, 2010 and wholly-owned by Ms. Hu
"Apex Trust"	an irrevocable discretionary trust of which Helm Trust Limited was the trustee and Ms. Hu and Ms. Ni were the initial beneficiaries
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on August 21, 2023 to take effect from the Listing Date, a summary of which is set out in Appendix III, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Best Expand"	Best Expand Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on March 16, 2010 and owned by Mr. Ni and Ms. Hu in equal shares
"Board"	the board of directors of our Company
"business day" or "Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of 288,000,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the sub-section headed "A. Further Information about our Group – 4. Resolutions in Writing of the Shareholders of Our Company Passed On August 21, 2023" in Appendix IV to this prospectus
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands (As Revised), as amended, supplemented or otherwise modified from time to time
"Cayman Islands"	the Cayman Islands, island group and overseas territory of the United Kingdom in the Caribbean Sea
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China", "PRC" or "State"	People's Republic of China
"CNAS"	China National Accreditation Service for Conformity Assessment
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company", "our Company"	Luyuan Group Holding (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability on February 18, 2009
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires, refers to, Mr. Ni, Ms. Hu, Drago Investments, Apex Marine and Best Expand
"COVID-19"	a novel coronavirus (2019-nCov)
"CSRC"	the China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated September 24, 2023 and entered into by our Controlling Shareholders with and in favour of our Company (for ourselves and as trustee for our subsidiaries) in respect of certain indemnities, details of which are set out in "Statutory and General Information – E. Other Information – 2. Indemnities given by our Controlling Shareholders" in Appendix IV
"Director(s)"	the director(s) of our Company

"Drago Investments"	Drago Investments Limited, a company incorporated in the British Virgin Islands with limited liability on January 28, 2010 and wholly-owned by Mr. Ni
"Drago Trust"	an irrevocable discretionary trust of which Helm Trust Limited was the trustee and Mr. Ni and Ms. Ni were the initial beneficiaries
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which came into effect on January 1, 2008, as amended or supplemented or otherwise modified from time to time
"Evolution"	the onshore and offshore developments of our Group during the period from around 2009 to prior to the commencement of the Track Record Period with a view to bringing our Group to an international platform for larger scale fund-raising activities, details of which are set out in "History, Reorganization and Corporate Structure — Early Development and Evolution"
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., the industry consultant
"Fujian Yizhou"	Fujian Yizhou Power Technology Co., Ltd. (福建一洲動力科技有限公司), a company established in the PRC with limited liability on October 27, 2006 and a 40%-owned associated company of our Group prior to our disposal of Fujian Yizhou to Lin Pingzai, an Independent Third Party, on January 6, 2022
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by the Company

"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Luyuan"	Luyuan Electric Vehicle (Guangdong) Co., Ltd. (綠源電動車(廣東)有限公司), a company established in the PRC with limited liability on March 26, 2013 and a wholly-owned subsidiary of our Company prior to its deregistration on March 30, 2023
"Guangxi Luyuan"	Guangxi Luyuan Electric Vehicle Co., Ltd. (廣西綠源電動車有限公司), a company established in the PRC with limited liability on August 28, 2019, a wholly-owned subsidiary of our Company
"Hangzhou Guangyang"	Hangzhou Xinxin Power Technology Co., Ltd. (杭州新欣動力技術有限公司) (formerly known as Hangzhou Guangyang Power Technology Co., Ltd. (杭州光陽動力技術有限公司)), a company established in the PRC with limited liability on May 29, 2013 and a 30%-owned associated company of our Company prior to our disposal of Hangzhou Guangyang on July 12, 2022
"Hebei Fangzhen"	Hebei Fangzhen Electric Vehicle Sales Co., Ltd. (河北方振電動車銷售有限公司), a company established in the PRC with limited liability on September 5, 2012 and deregistered on November 12, 2019
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, the lawful currency of Hong Kong

"HKFRS"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 10,667,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the **GREEN** Application Form
"Hong Kong Rainbow"	HongKong Rainbow Holdings Limited, a company incorporated in Hong Kong with limited liability on November 4, 2003 and owned by Mr. Ni and Ms. Hu as to 40% and 60%, respectively, prior to its dissolution on July 16, 2021
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 26, 2023, relating to the Hong Kong Public Offering and entered into by, among others, the Sole Overall Coordinator, the Sole Global Coordinator, the Hong Kong Underwriters and our Company

"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons
"International Offer Shares"	the 96,000,000 Shares being offered by our Company for subscription at the Offer Price pursuant to the International Offering (subject to reallocation as described in the section headed "Structure of the Global Offering")
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in the section headed "Structure of the Global Offering"
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the US Government, the European Union and its member states, United Nations or the Government of Australia
"International Underwriters"	the group of underwriters, led by the Sole Global Coordinator, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Sole Global Coordinator, the International Underwriters and our Company on or about the Price Determination Date, as further described in the section headed "Underwriting"
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

"Jiangsu Luyuan"	Xuzhou Zongshen Electric Vehicle Co., Ltd. (徐州宗申電動車有限公司) (formerly known as Luyuan Electric Vehicle Jiangsu Co., Ltd. (綠源電動車江蘇有限公司)), a company established in the PRC with limited liability on September 5, 2012 and a wholly owned subsidiary of Zhejiang Luyuan prior to the disposal by Zhejiang Luyuan of its entire equity interests in such company on March 28, 2018
"Jiangsu Motor Luyuan"	Jiangsu Luyuan Motor Vehicle Technology Co., Ltd. (江蘇綠源摩托車科技有限公司), a company established in the PRC with limited liability on March 18, 2019 and was deregistered on February 18, 2022
"Jinhua Licheng"	Jinhua Licheng Electric Vehicle Components Co., Ltd. (金華市力成電動車配件有限公司), a company established in the PRC with limited liability on July 11, 2007, and a subsidiary of our Company prior to its deregistration on October 17, 2009
"Jinhua Luyuan"	Jinhuashi Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司), a company established in the PRC with limited liability on July 3, 1997 which was wholly owned by Luyuan Holding prior to the disposal by Luyuan Holding of its entire equity interests in such company to Mr. Ni on April 6, 2011
"Jinhua Shitong"	Jinhua Stone CET Co., Ltd. (金華世通新能源有限公司) a company established in the PRC with limited liability on June 12, 2009 and was deregistered on July 25, 2014
"Jinhua Yicheng"	Jinhua Yicheng Trading Co., Ltd. (金華屹城商貿有限公司), a company established in the PRC with limited liability on July 15, 2015, a wholly-owned subsidiary of our Company
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering"
"Latest Practicable Date"	September 18, 2023, being the latest practicable date prior to the publication of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Linyishi Hongzi"	Zhejiang Jinhongzi Information Technology Co., Ltd. (浙江金弘子信息技術有限公司) (formerly known as Linyishi Hongzi Information Technology Co., Ltd. (臨沂市紅子信息技術有限公司)), a company established in the PRC with limited liability on April 7, 2015 and a subsidiary of our Company prior to its deregistration on June 29, 2022
"Linyishi Luling Property Services"	Linyishi Luling Property Service Co., Ltd. (臨沂市綠領物業服務有限公司), a company established in the PRC with limited liability on May 12, 2016 and a subsidiary of our Company prior to its deregistration on October 10, 2019
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, October 12, 2023, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time
"Ludong (Jinhua)"	Ludong (Jinhua) New Energy Technology Co., Ltd. (綠動(金華)新能源科技有限公司), a company established in the PRC with limited liability on August 16, 2021 and a wholly-owned subsidiary of our Company
"Luyuan BVI"	Luyuan International Limited, a company incorporated in the British Virgin Islands with limited liability on February 16, 2009, a wholly-owned subsidiary of our Company
"Luyuan HK"	Luyuan International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on February 24, 2009, a wholly-owned subsidiary of our Company

"Luyuan Holding"	Luyuan Investment Holding Group Co., Ltd. (綠源投資控股集團有限公司) (formerly known as Luyuan Investment Holding Co., Ltd. (綠源投資控股有限公司)), a domestic enterprise established in the PRC with limited liability on April 24, 2007 and was deregistered on June 13, 2014
"M&A Rules"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was jointly promulgated by six PRC regulatory agencies, including MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council, SAT, CSRC, the State Administration for Industry and Commerce, and SAFE on September 8, 2006, and amended by MOFCOM on June 22, 2009
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"mainland China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan region
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended from time to time), conditionally adopted on August 21, 2023 to take effect from the Listing Date, a summary of which is set out in Appendix III
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Ni"	Mr. Ni Jie (倪捷), our co-founder, executive Director, controlling Shareholder and spouse of Ms. Hu
"Ms. Hu"	Ms. Hu Jihong (胡繼紅), our co-founder, executive Director, controlling Shareholder and spouse of Mr. Ni
"Ms. Ni"	Ms. Ni Boyuan (倪博原), our member of the senior management and daughter of Mr. Ni and Ms. Hu

"Nanjing Luyuan"	Nanjing Luyuan Electric Vehicle Sales Co., Ltd. (南京綠源電動車銷售有限公司), a domestic enterprise established in the PRC with limited liability on November 25, 2002 and a subsidiary of our Group prior to our disposal to Huang Qingsheng, a then local distributor of our Group in Nanjing and an Independent Third Party, on September 20, 2012
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotation (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares for public companies
"New Healthcare PPE"	New Healthcare Private Equity Fund Investment Co., Ltd. (杭州鑫康健創業投資有限公司), a company established in the PRC with limited liability on December 18, 2013, a Pre-IPO Investor
"New National Standards"	The Safety Technical Specification for Electric Bicycle (GB17761-2018) (《電動自行車安全技術規範》(GB17761-2018))
"New Power PPE"	New Power Private Equity Fund Investment Co., Ltd. (or, Hangzhou Xinyuedong Venture Capital Co., Ltd., being the literal translation of its Chinese name) (杭州鑫悦動創業投資有限公司), a company established in the PRC with limited liability on March 22, 2012, a Pre-IPO Investor
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%)
"Offer Price Range"	HK$6.00 to HK$8.00 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

"PRC Law"	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong, the Macau Special Administrative Region and the relevant regulations of Taiwan region
"PRC Legal Advisors"	Han Kun Law Offices, our legal advisors as to PRC Law
"Pre-IPO Investments"	the pre-IPO investments by Shipston, New Healthcare PPE and New Power PPE
"Pre-IPO Investors"	collectively, Shipston, New Healthcare PPE and New Power PPE
"Pre-IPO Share Scheme"	the share scheme adopted by our Company pursuant to the written resolutions passed by the Board on July 20, 2023, the principal terms of which are set out in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV
"Post-IPO Share Scheme"	the share scheme adopted by our Company pursuant to the written resolutions passed by our Shareholders on August 21, 2023, the principal terms of which are set out in "Statutory and General Information – D. Share Incentive Schemes – 2. Post-IPO Share Scheme" in Appendix IV
"Price Determination Date"	the date, expected to be on or about Wednesday, October 4, 2023, on which the Offer Price will be determined and, in any event, not later than Friday, October 6, 2023
"Principal Share Registrar and Transfer Office"	Maples Fund Services (Cayman) Limited
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of our Group in preparation for the Listing, details of which are set out in "History, Reorganization and Corporate Structure — Reorganization"

"Reporting Accountant"	PricewaterhouseCoopers, the reporting accountant of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration of Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Shandong Luyuan"	Luyuan Electric Vehicle (Shandong) Co., Ltd. (綠源電動車(山東)有限公司), a company established in the PRC with limited liability on August 25, 2008, a wholly-owned subsidiary of our Company
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary share(s) in the capital of our Company with a par value of US$0.0001 each
"Shipston"	Shipston Electric Vehicle Limited, a limited company incorporated in the Turks and Caicos Islands on February 23, 2011 and a Pre-IPO investor
"Sole Global Coordinator"	China Securities (International) Corporate Finance Company Limited
"Sole Overall Coordinator" or "Sponsor-Overall Coordinator"	China Securities (International) Corporate Finance Company Limited
"Sole Sponsor"	China Securities (International) Corporate Finance Company Limited

"Special Internal Control Consultant"	Protiviti Shanghai Co., Ltd. (甫瀚諮詢(上海)有限公司)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SZSE"	Shenzhen Stock Exchange
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented or otherwise modified from time to time
"Track Record Period"	the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United State dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Zhejiang Hongzi"	Zhejiang Hongzi Information Technology Co., Ltd. (浙江紅子信息科技有限公司), a company established in the PRC with limited liability on April 29, 2015 and was deregistered on June 23, 2022
"Zhejiang Luyuan"	Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), a company established in the PRC with limited liability on May 12, 2003, a wholly-owned subsidiary of our Company

"Zhejiang Luyuan Information Technology"	Zhejiang Luyuan Information Technology Co., Ltd. (浙江綠源信息科技有限公司), a company established in the PRC with limited liability on May 28, 2015, a wholly-owned subsidiary of our Company
"Zhejiang Luyuan International Trade"	Zhejiang Luyuan International Trade Co., Ltd. (浙江綠源國際貿易有限公司), a wholly-foreign owned enterprise established in the PRC on March 22, 2022 and a wholly-owned subsidiary of our Company
"Zhejiang Power"	Zhejiang Luyuan Power Supply Co., Ltd. (浙江綠源動力電源有限公司), a company established in the PRC with limited liability on July 4, 2008 and was a subsidiary of our Company prior to its deregistration on January 6, 2011
"%"	per cent.

In this prospectus, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

This glossary contains terms used in this document in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"APS system"	advanced planning and scheduling system
"ASEAN"	the Association of Southeast Asia Nations
"BI system"	business intelligence system
"Bluetooth"	a radio technology that makes it possible for mobile phones, computers and other electronic devices to be linked over short distances, without needing to be connected by wires
"CAGR"	compound annual growth rate
"CCC"	China Compulsory Certificate, a statutory compulsory safety certification system aimed at protecting the rights and interests of consumers and safeguarding the safety of consumers and their property
"Central and Southern China"	for the purpose of this prospectus, a geographic region of the PRC that includes the provinces of Hainan, Henan, Hubei, Hunan and Guangdong and the Guangxi Zhuang Autonomous Region
"D, E, F License"	driver's licenses in mainland China which permit the driving of ordinary three-wheeled motorcycles and ordinary two-wheeled motorcycles and light motorcycles, respectively
"EABS"	electronic antilock braking system
"Eastern China"	for the purpose of this prospectus, a geographic region of the PRC that includes the municipality of Shanghai and the provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang
"electric two-wheeled vehicles(s)"	Electric motorcycle(s), electric moped(s) and electric bicycle(s)
"EMC"	Electro Magnetic Compatibility

"ERP system"	enterprise resource planning system
"ESG"	environment, social and governance
"GFA"	gross floor area
"IoT"	Internet of Things, which refers to a network of physical objects that are embedded with sensors, software, and other technologies used for connecting and exchanging data with other devices and systems over the Internet
"ISO"	International Organization for Standardization
"kg"	kilogram
"km"	kilometer
"km/h"	kilometer per hour
"kW"	kilowatt
"MES"	manufacturing execution system
"NEV"	New Energy Vehicle
"New Tier 1 cities"	Chengdu, Chongqing, Xi'an, Wuhan, Suzhou, Nanjing, Zhengzhou, Tianjin, Changsha, Dongguan, Ningbo, Foshan, Hefei and Qingdao
"NFC"	Near Field Communication
"Northern China"	for the purpose of this prospectus, a geographic region of the PRC that includes the municipalities of Beijing and Tianjin, the provinces of Hebei and Shanxi, and the Inner Mongolia Autonomous Region
"OA system"	office automation system
"R&D"	research and development
"RoW"	rest of world
"SI"	Space Identity

"SOC"	state of charge
"Southwestern China"	for the purpose of this prospectus, a geographic region of the PRC that includes the municipality of Chongqing, the provinces of Guizhou, Sichuan and Yunnan, and the Tibet Autonomous Region
"sq.m."	square meter
"Tier 2 cities"	a total of 30 relatively developed cities following New Tier 1 cities including Wuxi, Xiamen, Fuzhou, Jinan, Shenyang, Dalian, Kunming, Harbin, Changchun, Quanzhou, Wenzhou, Shijiazhuang, and Guiyang
"V"	Volt
"W"	Watt

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in the sections headed "Business" and "Financial Information" in this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in the Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks described below before making an investment in the Shares. The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Any quality issues related to our products or the electric two-wheeled vehicle industry could result in a loss of customers and sales and, if related to our products, may subject us to administrative penalties and product liability claims.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. Maintaining consistent product quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control policies and guidelines. We cannot assure you that our quality control systems will prove to be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. In 2020 and 2021, some of our products have been subject to administrative penalties for product non-conformities. For further details, see "Business – Legal Proceedings and Compliance – Compliance – Non-compliance with PRC Law." If the quality of any of our products deteriorates for any reason, or if the consumers do not perceive our products to be effective, reliable or safe as they claim to be, we may be faced with returns or cancellations of orders and customer complaints and/or administrative penalties.

Additionally, if any defect of our products or electric two-wheeled vehicles in general results in property damage or personal injury, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be costly for us to defend even if we prevail in the end. Although we have purchased product liability insurance, coverage may be insufficient. See "– We have limited insurance to cover our potential losses and claims" for details. Furthermore, if there is a pattern of quality issues in the electric two-wheeled vehicle industry in general, consumers' perception of, and willingness to purchase, our products may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to our products or the electric two-wheeled vehicle industry, actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our business depends significantly on market recognition of our "*Luyuan*" (綠源) brand, and any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations.

Brand image is a key factor in consumer purchase decisions. According to Frost & Sullivan, many consumers can hardly feel the product difference such as performance parameters of electric two-wheeled vehicles among different brands, especially in friendly and steady road conditions. Therefore, brand recognition becomes the critical decision factor for consumers, especially new consumers, to choose electric two-wheeled vehicle. Brands build reputation usually based on years of high-quality product and service offerings, which brings market visibility and good word-of-mouth effect and translates into repurchase of existing customers and attraction to new customers with minimal selling and marketing spending. We believe our success depends substantially on the popularity of our "*Luyu*an" brand that we use for marketing and promotion, and our reputation for electric two-wheeled vehicles. Our *Luyuan* brand was recognized as a well-known trademark of China (中國馳名商標) and famous trademark of Zhejiang Province (浙江省著名商標). Therefore, maintaining and enhancing the recognition and image of our brand are critical to our ability to differentiate our products and to compete effectively. Our brand and reputation may be harmed by product defects, ineffective customer services, product liability claims, consumer complaints, intellectual property infringement or negative publicity or media reports. In 2020 and 2021, some of our products have been subject to administrative penalties for product non-conformities. For further details, see "Business – Legal Proceedings and Compliance – Compliance – Non-compliance with PRC Law." Any complaint, claim, administrative penalty or negative publicity against us or our products, even if meritless or immaterial to our operations, could damage our brand and reputation and may divert our management's attention and other resources from day-to-day business operation, which may adversely affect our business, results of operations and financial condition.

Furthermore, as we continue to grow in size, expand our product offerings, extend the geographic reach of our distribution network, maintaining product quality and consistency may be more difficult and we cannot assure you that we can maintain the end users' confidence in our brand name. If end users perceive or experience a reduction in the quality of our products, or consider in any way that we fail to deliver consistently high quality products, our brand value could suffer, which could have a material and adverse effect on our business.

We have registered the Chinese and English characters as well as the logos of our "*Luyuan*" trademark in China. However, we may from time to time be involved in lawsuits brought against us by third parties for trademark infringement. We may have to incur significant expenses and divert substantial management time and resources to respond to those cases. Such legal proceedings may materially and adversely affect our brand image and damage our brand value, regardless of their merits. We consider our trademarks and brand name to be material to our business. If we are unable to adequately protect these intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

Moreover, under our agreements with our distributors, we authorized them to display our brand name or trademarks at their retail outlets or when marketing our products. Despite the scope of authorization as detailed in the agreements, there is no assurance that our distributors will not infringe our trademarks or any other intellectual property rights. Any unauthorized use of our intellectual property rights will materially and adversely harm our reputation and brand image, thereby causing a decline in our financial performance, reduction in our market share as well as an increase in the amount of resources we need to devote to detection and prosecution of unauthorized use of our trademarks or imitation of our products. See "– We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business" below.

Any negative publicity involving us, our products, our Company, Directors, our management team, employees, spokespersons, our competitors, or our industry regardless of its veracity, could adversely affect our business.

We are in an industry that is closely related to road safety and is particularly sensitive to concerns over safety or product quality issues. Any negative publicity regarding our industry, regardless of its veracity and whether it targets us in particular or not, could materially harm our business and results of operations. Negative publicity regarding the safety, price-level or quality of our products and negative publicity about any regulatory or legal action against us, even if unfounded or immaterial to our operations, may damage our reputation and brand image, undermine our end users' confidence in us and reduce long-term demand for our products. In the past, there have been such negative publicity regarding us and our industry in general, and there can be no assurance that we will not experience the same in the future. When faced with such negative publicity, we cannot assure you that we can promptly take effective clarification or rectification measures, and any clarification or rectification measures may divert our management's attention and other resources from day-to-day business operation. As a result, our business, financial condition, results of operations, reputation and prospects may be adversely and negatively affected.

We may not be able to launch and diversify new products to adapt to changing consumer demand, preferences and spending patterns in a timely manner.

We have consistently devoted our efforts to developing new product series and models in order to not only adapt to evolving consumer needs and preferences, but also influence market trends. In light of the highly competitive environment, our future growth depends on our ability to continue to introduce products that are welcomed by the market.

Consumers' willingness to purchase our products may fluctuate as a result of changes in economic conditions, disposable income, technology, lifestyle and publicity of our products or products of our competitors. Additionally, the electric two-wheeled vehicle industry in mainland China is highly competitive and consumers may be tempted to shift their choices and preferences when new products are introduced by various marketing and pricing campaigns of different brands. Any of these factors or our failure to anticipate, identify or adapt to these changes in a timely manner could result in reduced demand for our products. We may not be able to successfully adapt our business strategy, brand image and product portfolio to changes in market trends or shifts in consumer preferences and spending patterns, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our efforts in developing and investing in technology may not generate expected outcomes.

We have been devoted to continuously developing electric two-wheeled vehicle related technologies to be used in our products. However, we cannot assure you that our future efforts in developing electric two-wheeled vehicle related technologies will be successful, in which case, our products may lose their competitive advantage. In addition, we also cannot assure you that the electric two-wheeled vehicle related technologies we developed will be well received by the consumers, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we rely on technology in many aspects of our operations. For example, we use our ERP system to retrieve and analyze our operational data to support decision-making and increase productivity and profitability and use our MES system to support our production processes. See "Business – Information Technology Systems" for details. We also use welding robots and other advanced production equipment in our production facilities. We cannot assure you that our investment on technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We strive to achieve sustainable growth and further strengthen our competitiveness in the electric two-wheeled vehicle industry by implementing our business strategies. See "Business – Strategies" for details. Nonetheless, our business plans and strategies are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities or remain competitive in the industry. Furthermore, even if we implement our business plans and strategies effectively and efficiently, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results. Our business, financial conditions, results of operations and prospects may be materially and adversely affected if our future business plans and strategies fail to achieve positive results.

For example, in response to the increasing demands, we plan to seek expansions of our production capacities, and we may undertake further expansion plans based on our future business needs. See "Business – Production – Production Expansion Plan" for further details. However, the success of our future expansion plans depends on a number of factors that are beyond our control, such as the construction progress of the third-party constructors, changes in local laws and regulations and government policies, the availability of low-cost skilled labor and changes in consumer demands. In addition, the integration of new facilities into our existing operation may be subject to unforeseeable delays, which may, among other things, increase our operation costs, strain our production capacity, cause delays in delivery of customer orders and decrease our production efficiency. Accordingly, we may not be able to achieve the expected expansion of our operations or manage our growth in a timely or cost-effective manner.

We operate in a competitive industry and if we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected.

According to Frost & Sullivan, the electric two-wheeled vehicle industry is highly competitive and concentrated. As of December 31, 2022, there were around 100 electric two-wheeled vehicle manufacturers in mainland China and the top nine manufacturers accounted for approximately 80.8% of the market share. According to Frost & Sullivan, we ranked fifth in mainland China in terms of total revenue in 2022, accounting for 4.2% of the market share. We compete on the basis of price, product innovation, product quality, brand awareness and loyalty, sales and distribution network, effectiveness of marketing, promotional activity and our ability to tailor our products to consumer preferences and market trends. Some competitors may have greater financial and research and development resources, wider distribution networks, and deeper industry insights than we have. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to the evolving industry trends or changing market requirements. In order to compete effectively, we may need to increase our marketing expenses from time to time, which may materially and adversely affect our financial condition and results of operations. If we fail to compete effectively or cost-efficiently against our competitors in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors. Actions taken by our distributors in violation of the distribution agreements or taken by the distributors with whom we had not entered into distribution agreements could materially and adversely affect our business, prospects and reputation.

We rely on third-party distributors to sell our products. As of April 30, 2023, our distribution and sales network in mainland China consisted of 1,314 offline distributors in mainland China. Purchases by distributors accounted for the substantial majority of our sales. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from offline channels accounted for 70.7%, 82.4%, 89.8%, 92.3% and 89.3% of our revenue, respectively. As we mainly sell and distribute our products through distributors, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancelation of orders from one or more of our distributors;
- selection or increased sales by our distributors of our competitors' products;
- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favorable terms; and
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide their distributors with more favorable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favorable arrangements with such distributors and may result in the termination of our relationships with other distributors. In addition, we may not be able to successfully manage our distribution network and the cost of any consolidation or further expansion of our distribution and sales network may exceed the revenue generated from these efforts. If the sales volumes of our products to consumers are not maintained at a satisfactory level or if distributor orders fail to track consumers demand, our distributors may not place orders for new products from us, or decrease the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

Furthermore, we rely on the distribution agreements, policies and measures we have in place to manage our distributors. See "Business – Sales and Distribution – Offline Channels – Distribution Agreements with Offline Distributors" and "Business – Sales and Distribution – Offline Channels – Management of Offline Distributors" for details. There can be no assurance that we will be successful in managing our distributors, or that our distributors would not breach our agreements and policies. Any violation or alleged violation by our distributors of the distribution agreements, our policies or any applicable laws and regulations could result in, among other things, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects. We started to require all distributors to enter into standard distribution agreements with us since November 2021. While we have entered into distribution agreements with all of our distributors in mainland China as of December 31, 2022, historically we did not enter into written distribution agreements or other relevant agreements with every distributor we cooperated with. As a result, their legal obligation to us and our legal recourse against them are limited.

In line with industry practice, most of our distributors further sold our products to their sub-distributors. In general, we do not enter into contracts with such sub-distributors, thus having no control over sales activities of such sub-distributors. See "Business – Sales and Distribution – Offline Channels – Sub-distributors." We cannot assure you that the sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of the sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Changes in supply, quality and costs of raw materials, energy, transportation and other necessary supplies or services may impact our business, financial condition and results of operations.

Our key raw materials, parts and components for our operations primarily include batteries, including lead-acid batteries and lithium-ion batteries, motors, frames and iron spare parts, plastic parts, shock absorbers and tires. Raw materials and consumables used represents a substantial portion of our total cost of sales. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, raw materials and consumables used attributable to our cost of sales represented 91.8%, 91.6%, 92.0%, 91.6% and 92.0%, respectively of our total cost of sales. We are subject to fluctuation in the prices of raw materials, parts, components and packaging materials, as well as energy, transportation and other necessary supplies or services, due to factors beyond our control, such as inflation, fluctuations in currency exchange rates, changes in weather or changes in the supply and demand for such related raw materials. For example, the price of battery grade Li_2CO_3, which is the key raw material of producing lithium-ion batteries increased significantly in recent years primarily due to the shortage of lithium supply and booming demand of lithium from both NEV and power storage sectors. We may not be able to offset price increases by raising the prices of our products, in which case our profit margin will decrease, and our financial condition and results of operations may be materially and adversely affected. For details on the fluctuation impact of costs of raw materials and consumables used on our profit before income tax, see "Financial Information – Description of Key Components of Our Results of Operations – Cost of Sales." Additionally, we may lose our competitive advantage if the prices of our products rise significantly. This in turn could result in loss of sales and customers. In both cases, our business, financial condition and results of operations may be materially and adversely affected.

Unexpected disruptions or delays in raw material supplies or disputes with our suppliers may cause disruptions and delays in our production, subject us to additional costs.

We currently operate three production facilities located in Zhejiang, Shandong and Guangxi. Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other unexpected interruptions, including prolonged power or water suspension, may cause significant damage or delay to our production facility or that of suppliers we engage, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We may incur additional costs and may experience a disruption in the supply of products until the affected production facilities become available and operational.

Additionally, we rely on the timely supply of various raw material in order to carry out our production as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to deliver an adequate number of products to the market, causing us to lose business opportunities. Moreover, we may encounter disputes with our suppliers from time to time, including but not limited to the disagreement on quality, quantity or other matters. Such disputes, if cannot be solved in a sound and timely manner, may cause a delay in the supply of the relevant raw materials, or, in severe situation, a termination of the relevant agreement. Any of the above-mentioned natural or man-made disasters or other unanticipated events could also disrupt the operations of our suppliers, or delay the relevant transportation, which in turn, may further impede our ability to manufacture and deliver our products in a timely manner. For instance, we experienced temporary shortage of certain raw materials during the COVID-19 outbreak. Any major production disruptions in the future could have an adverse impact on our ability to produce sufficient quantities of products. For another instance, regional or global trade wars will further cast uncertainties on the availability and the prices of the raw materials originated from overseas. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Failure to successfully execute our capacity expansion and equipment upgrade plans may have a material adverse effect on our business, financial conditions and results of operations.

Our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. During the Track Record Period, we have established additional manufacturing facilities and have continued to upgrade our current manufacturing equipment and install additional manufacturing equipment to expand our production capacity and enhance our production efficiency. See the section headed “Business – Production – Production Expansion Plan” for details. We also intend to continue to increase our production capacity and enhance production efficiency through establishing new production facilities and production lines at our existing facilities. See “Future Plans and Use of Proceeds” for details. If we fail to achieve these objectives, we may not be able to attain the desired level of economies of scale in our operations or reduce our marginal manufacturing costs to the level necessary to maintain our pricing and other competitive advantages and achieve our business expansion plan.

Our capacity expansion and equipment upgrade have required and will continue to require substantial capital investment, significant engineering efforts, timely delivery of manufacturing equipment and dedicated management attention, and are subject to the following risks and uncertainties:

- negative effect on the working capital available to us;
- the need to finance our equipment upgrade and capacity expansion through bank or other borrowings, which may not be available on commercially reasonable terms or at all;

- increase in depreciation charges associated with our new equipment and interest expenses associated with our future borrowings for planned upgrade or expansion;
- cost overruns, construction delays, manufacturing equipment problems, including delays in equipment delivery or delivery of equipment that does not meet our specifications, and other operating difficulties;
- failure to improve our operational and financial systems and risk monitoring and management system in line with our upgrade or expansion;
- decrease in the prices of our products, which fail to cover our increased production costs;
- failure to maintain or establish relationships with our existing or prospective customers and suppliers to match our increased production output;
- the failure of our new equipment to perform as expected and lower our manufacturing cost;
- insufficient management resources to properly oversee and manage our planned capacity expansion; and
- delay in or denial of government approvals, permits or documents of similar nature necessary and required for our expansion.

Any of the abovementioned or similar risks or uncertainties could significantly delay or constrain our ability to execute our equipment upgrade and capacity expansion as planned, which may in turn hinder our ability to achieve economies of scale and satisfactory utilization rates. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our marketing activities may not be effective in attracting consumers.

We market our brands and products through various channels and methods such as (i) online marketing, including marketing events hosted on social media platforms; (ii) offline marketing, primarily through retail outlets of distributors; (iii) special events, including our sponsorship of variety shows; and (iv) commercial advertisements. These marketing activities may result in significant marketing expenses. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our selling and marketing costs were RMB121.4 million, RMB192.4 million, RMB259.6 million, RMB53.2 million and RMB98.8 million, respectively. We cannot assure you that our marketing activities will enable us to successfully promote our brand and products or achieve our sales targets. The effectiveness of sales and marketing activities is relatively hard to predict and evaluate. Their effects may be delayed, resulting in a slower revenue growth which may not fully reflect the sales and marketing activities. If the results of our marketing activities fail to meet our expectation, or if we fail to conduct the marketing activities as planned, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be unsuccessful at maintaining or expanding our international sales and our international sales may subject us to risks that may have a material adverse impact on our business.

Expanding our international sales is a part of our long-term business strategy. We currently sell our products to numerous countries and regions, including European Union and Southeast Asia. Going forward, we plan to further expand our international sales. However, international sales are subject to various risks, including those relating to the COVID-19 pandemic, political and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade barriers, fluctuations in foreign exchange rates and foreign exchange limitations or difficulties, the impact of foreign government regulations, the effects of income and withholding taxes, governmental expropriation and differences in business practices. Our efforts to expand our international sales may not be successful. Our products may fail to meet the relevant regulatory requirements for our products in international markets. Furthermore, we may be subject to product liability claims in international markets, which could cause us to incur substantial litigation costs. We may incur increased costs or experience delays or disruptions in product deliveries and payments in connection with international sales that could cause loss of revenues and earnings. Unfavorable changes in the political, regulatory and business climates could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our success depends on our ability to retain our core management team and other key personnel.

Our current business performance and continued success substantially depends on the continued service and performance of our senior management members, including our founders, all Executive Directors and other key personnel with industry experience, know-how or experience in areas such as research and development, manufacturing, sales, marketing, financial management, human resources and risk management. If any member of our senior management is unable or ceases to serve in his or her present position, we may not be able to find replacement in a timely basis due to local conditions. As a result, our business may be disrupted, our management quality may deteriorate and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team joins a competitor or forms a competing business, we may lose trade secrets and business know-how as a result. Competition for experienced management in our industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our senior management or attract and retain additional high quality senior executives in the future.

The costs of the Pre-IPO Share Scheme will adversely affect our results of operations and any exercise of the option granted may result in a dilution of our Shareholders' shareholdings.

For the purpose of encouraging eligible employees of our Group to contribute to the long-term growth of the Company, aligning their interests with those of the Company and providing the Company a flexible mean to compensate and incentivize relevant employees, we adopted the Pre-IPO Share Scheme. As of the Latest Practicable Date, a total of 108 Pre-IPO Eligible

Participants have been granted options under the Pre-IPO Share Scheme which corresponded to 16,736,000 underlying Shares in aggregate, representing 3.92% of the total issued Shares immediately after the completion of the Global Offering and the Capitalization Issue (assuming no Shares are issued pursuant to the Post-IPO Share Scheme). See "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV for details.

As we believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, we may adopt new share-based awards schemes in the future and may result in significant share-based compensation expense to us, which may have an adverse effect on our results of operation. The issue of Shares or any exercise any exercise of options in the future would result in a reduction in the percentage ownership of the Shareholders in our Company and may result in a dilution in the earning per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issuance or exercise.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Maintaining optimal inventory levels is critical to our financial health. As of December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, the balance of our inventory amounted to RMB208.5 million, RMB388.1 million, RMB 445.7 million and RMB419.5 million, respectively, and accounted for approximately 21.5%, 22.8%, 21.2% and 17.4%, respectively, of our total current assets for the same periods. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our inventory turnover days were 30.0 days, 35.9 days, 36.0 days and 35.5 days, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and preferences and launches of competing products. Moreover, for stocking purposes, we generally forecast demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales and our business, financial condition, results of operations and prospects may also be materially and adversely affected.

If our logistics service providers fail to provide reliable and timely logistics services, our business, financial condition and results of operations may be materially and adversely affected.

We primarily rely on independent third-party logistics service providers to fulfill and deliver our orders. Interruptions to or failures in these third parties' logistics services could prevent the timely or proper delivery of products to customers, which would harm the businesses we operate. These interruptions or failures may be due to events that are beyond our control or the control of any of these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shut-downs. We may not be able to find alternative service providers to provide logistics services in a timely and reliable manner, or at all.

We are subject to risks relating to the warehousing of the products we sell.

Before delivery of products to our third-party distributors or other customers and end consumers, we temporarily store them in warehouses owned or leased by ourselves or our third party logistics service providers. We maintain property-related insurance that covers financial losses we may sustain as a result of accidents, including fires. However, if such accidents, including fires, were to occur, causing damages to the products we sell or our warehouses, our ability to supply products to our third-party distributors and other customers could be adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated capital expenditures and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end customers. If any one or more of the above risks were to materialize, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The global shortage in the supply of battery packs may disrupt our operations and adversely affect our business, results of operations, and financial condition.

Some of our vehicles currently use lithium-ion batteries, which we purchase from third-party suppliers. The prices for the batteries fluctuate, and their available supply may be unstable, depending on market conditions and global demand for the batteries and the materials used in the batteries, such as lithium, nickel, cobalt, and manganese. There is a looming shortage of battery packs since mid-2020 as a result of an increase in global demand due to increased production of electronic vehicles, rising demand for raw material of batteries, and the disruption in the supply chain due to the COVID-19 pandemic. We cannot assure you that we will be able to continue to obtain sufficient amount of battery packs at a reasonable cost. Our business is dependent on the continued supply of battery packs used in our vehicles. Any disruption in the supply of battery packs could disrupt production of our vehicles until such time as we find an alternative supplier. There can be no assurance that we would be able to successfully retain alternative suppliers on a timely basis, on acceptable terms or at all. If we fail to find alternative suppliers in time, our production and deliveries could be materially disrupted, which may materially and adversely affect our business, results of operations, and financial condition.

Our financial performance and results of operation are subject to seasonal fluctuations.

Our financial performance and results of operation are subject to seasonal fluctuations. There are seasonal patterns for electric two-wheeled vehicle purchases in mainland China. Historically, we have experienced higher sales in March of each year, primarily in connection with distributors' restocking demands after the Spring Festival holiday, and July, August and September of each year which are months that straddle summer holidays and school opening seasons when students and parents typically have strong transportation mobility needs. Sales of our products can also fluctuate throughout the year for other reasons, including the timing of new product launches and the timing of promotional campaigns. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our products in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

We have relatively thin profit margins during the Track Record Period

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our gross profit margins of sales of products were 11.2%, 9.9%, 10.7%, 7.7% and 10.4%, respectively, and our net profit margins were 1.7%, 1.7%, 2.5%, 1.4% and 2.5%, respectively. The sustainability of our profit margin depends on many factors, including the product mix sold, the sales volume of our different models at different price levels, selling prices of our products, maintaining and attracting new distributors and our cost and expenses. We cannot guarantee that we will be able to maintain or improve our profit margins. If we are unable to successfully offset increased costs and expenses with an appropriate increase in our revenue and margins, our financial condition and results of operations may be materially and adversely affected. See "Financial Information – Description of Key Components of Our Results of Operations – Cost of Sales " for a detailed illustration of the impact of hypothetical fluctuation in the cost of raw materials and consumables used on our profitability. In addition, our pricing strategy and policy may not be effective in maintaining our financial performance and any unfavorable changes of market conditions may have a material adverse effect on our sales, operations, financial condition, profitability and cash flows. See "Business – Product Pricing" for details of our pricing policy. For details of our growth strategies, see "Financial Information – Description of Key Components of Our Results of Operations – Profit for the Year/Period".

Our distributors may accumulate excess or obsolete inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors.

We sell a significant amount of our products to distributors, who maintain their own inventories of our products. Our distributors in turn distribute our products to end customers through their own retail outlets or sub-distributors and their retail outlets. We may not be able to accurately track the inventory level of our sales and distribution partners or to identify any excessive inventory build-up at various levels of our sales and distribution network. Our distributors may be unable to sell an adequate amount of their inventories of our products in a given period, which may result in a build-up of inventory at our distributors. In such an event, these distributors likely would reduce future orders until their inventory levels realign with demand. As such, any excessive build-up of inventory by our distributors could reduce the volume of future orders that we receive from our distributors and thus may have a material adverse impact on our sales to them and, accordingly, our business, financial condition, results of operations and prospects.

We may not be successful in maintaining the growth and profitability of our business.

Our revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022 and our net profit increased from RMB40.3 million in 2020 to RMB118.0 million in 2022. In addition, our revenue increased from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the same period in 2023 and our net profit increased from RMB16.4 million to RMB41.0 million for the same periods, respectively. See "Financial Information – Summary of Results of Operations During the Track Record Period" for details. However, we cannot assure you that we will be able to maintain our historical growth rates in future periods. Our revenue and profit growth may slow down or our revenue and profit may decline for a number of possible reasons, including decreasing consumer spending, increasing competition from other domestic and international manufacturers of electric two-wheeled vehicles, slower growth in mainland China's electric two-wheeled vehicles industry, potential decrease in needs for vehicle replacement after the New National Standards has been fully implemented, supply chain and logistical bottlenecks, increase in the cost of raw materials and other changes in general economic conditions. Since the implementation of the New National Standards in April 2019, electric two-wheeled vehicles that do not meet the New National Standards and were purchased before April 2019 are expected to be replaced in five years. We cannot assure you that our business will keep growing at the same rate as that in the Track Record Period or at all after the transition period passes. If our growth rate declines, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline. In addition, our profitability depends on our ability to secure new business opportunities and to control costs and operating expenses, which are subject to certain factors that are beyond our control, such as changes in consumer demand and fluctuations in the cost of raw materials. See "Financial Information – Significant Factors Affecting Our Results of Operations" for details. If we fail to increase sales, or if our cost of sales and operating expenses grow faster than our sales, our business, financial condition and results of operations may be negatively affected.

Our net current liabilities and negative operating cash flow may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

As of December 31, 2020, 2021 and 2022, we recorded net current liabilities of RMB81.4 million, RMB234.2 million and RMB17.2 million, respectively. See "Financial Information – Working Capital" for details. In addition, we had negative net cash from operating activities of RMB10.4 million in 2020.

Net current liabilities and negative operating cash flow may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial condition and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external funding on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks related to our trade, notes and lease receivables, other receivables and prepayments.

We enter into a wide variety of contractual arrangements with different counterparties in the ordinary course of our business. On a case-by-case basis, we provide credit limits to certain creditworthy distributors, distributors with whom we have long-term relationships or distributors with a relatively larger scale. See "Business – Sales and Distribution – Offline Channels – Credit Policies and Financial Assistance to Distributors" for details. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our trade, notes and lease receivables were RMB137.9 million, RMB157.9 million, RMB294.8 million and RMB305.9 million, respectively. Our senior management regularly reviews the recoverability of overdue balances for trade and notes receivables and may provide for impairment when appropriate. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we recorded provision for impairment of trade and notes receivables of RMB30.5 million, RMB22.2 million, RMB22.6 million and RMB27.5 million, respectively. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfil their obligations to us under our contracts.

In addition, the turnover days of our trade and notes receivables were 21.7 days, 15.8 days, 16.9 days and 21.2 days in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. As we plan to continue expanding the scale of our business, we cannot guarantee that they will not continue to increase in the future, which will make it more challenging for us to manage our working capital effectively, and our results of operations, financial condition and liquidity may be materially and adversely affected.

Furthermore, our prepayments may involve significant uncertainties. During the Track Record Period, we made prepayments primarily for construction and equipment and raw materials. As of December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, the balance of our other receivables and prepayments was RMB195.9 million, RMB408.6 million, RMB248.7 million and RMB278.2 million, respectively. However, there is no guarantee that the suppliers and service providers will perform their obligations in a timely manner. If our suppliers fail to provide raw materials and services to us in a timely manner or at all, we may be exposed to prepayment default and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. We cannot assure you that we will not incur any material impairment losses in relation to our other receivables and prepayments in the future.

We may not be able to effectively manage any overlap or potential competition among our offline distributors and across different sales channels.

During the Track Record Period, we sold our products through various channels including offline distributors, our self-operated online stores and e-commerce platforms. We also sold our products to corporate and institutional customers and overseas distributors. Our success depends highly on our ability to maintain and expand these channels and distribution network. Offline distributors may engage in cannibalization activities such as cross-region sales in contravention of their contractual obligations. They may also fail to effectively manage their sub-distributors and competition among which may result in cannibalization within our distribution network. We cannot assure you that our measures to manage overlap or potential competition among our sales channels will be effective. As a result, the expansion of our sales network may not lead to proportionate expansion of our sales revenue. Furthermore, adverse competition and cannibalization among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

We bear substantial costs to decorate distributor retail outlets which we may not be able to recover from relevant distributors or may not achieve our expected results.

During the Track Record Period, in order to ensure consistency of the style and brand presentation at distributor retail outlets, we bore decoration costs of the relevant retail outlets and directly managed decoration and refurbishment. In exchange, the relevant distributors entered into decoration support agreements with us generally with terms of three to five years, under which they might commit, among other things, to meet our requirements on minimum sales to end customers, maintain the appearance, layout and brand presentation at their retail outlets by keeping our decorations in place and keep their retail outlets exclusive to our products. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, decoration costs we bore amounted to RMB55.4 million, RMB123.7 million, RMB132.0 million and RMB46.4 million, involving approximately 730, 2,350, 3,440, 1,530 retail outlets, respectively.

There is no assurance that we will be able to recover such decoration costs from relevant distributors, achieve our expected results of bearing decoration costs, or that our distributors would not breach the decoration support agreements. Distributors may fail to meet their minimum sales commitments, fail to maintain the appearance, layout, brand presentation or product exclusivity at their retail outlets or close retail outlets prematurely. In such events, we may be unable to recoup decoration costs we bore with sufficient compensation from distributors and our brand image may be harmed. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.

We rely heavily on a combination of patents, trademarks, domain name registrations and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of trade secrets in relation to our electric two-wheeled vehicle technologies and production processes, which we believe are material to our operations and which are not covered by patents. We rely on various protective measures to safeguard such unpatented proprietary information. See "Business – Intellectual Property" for details. However, we cannot assure you that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorized use, misappropriation or disclosure. We cannot guarantee that there will not be further infringements on our intellectual property rights in future. We also cannot guarantee that we will be successful in enforcing confidentiality provisions or undertaking legal proceedings in the event that there is any unauthorized use of our intellectual property. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Third parties may assert or claim that we have infringed their intellectual property rights.

Intellectual property rights, such as trademarks and patents, are important in the electric two-wheeled vehicle industry as they protect brand images, product technologies and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark or patent infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to redesign or redevelop our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. For example, on September 19, 2023, we received a lawsuit filed by a patent owner as the plaintiff, alleging that our Group and other co-defendants infringed a patent regarding a type of rechargeable battery allegedly held by him. The plaintiff is seeking a total of RMB100 million in monetary damages from our Group and other co-defendants. For further details, see "Business – Legal Proceedings and Compliance – Legal Proceedings – Recent Intellectual Property Infringement Claim". Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

Some of our distributors have been subject to penalties for making unauthorized alterations to our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects.

Administrative agencies in mainland China, including local branches of the SAMR, conduct periodic inspections of products in the market, including electric two-wheeled vehicles. During the Track Record Period and up to the Latest Practicable Date, we have noticed that a number of our distributors and their sub-distributors were subject to administrative penalty decisions (行政處罰) due to sales of nonconforming vehicles without our prior approval or authorization. For further details, see "Business – Distributor Administrative Penalty Decisions – Administrative Penalties Related to Alteration by Distributors." We cannot assure you that such administrative penalty decisions to our distributors and their sub-distributors will not have any adverse effect on our Group's reputation or operation. We may fail to prove, in administrative, legal or other proceedings that alleged product non-conformity were due to unauthorized alterations. Consumers of our products may not distinguish where legal liability lies or whether we, our distributors or their sub-distributors conducted were responsible, and instead may associate such negative publicity with poor product quality of our products. For example, since the promulgation of the Bicycle Product Catalog Compilation Management Regulations, (《北京市電動自行車產品目錄編製管理規程》) in June 2022, which regulated the compilation of the Beijing Electric Bicycle Product Catalog (《北京市電動自行車產品目錄》), and up to the Latest Practicable Date, there were four incidents where our product models were removed from this catalog, prohibiting further sales of such product models in Beijing, due to unauthorized alterations by certain distributors/sub-distributors, and we have already observed negative publicity regarding our product quality due to such products models being removed from the Beijing catalog. If these occur, we may be subject to administrative penalties or legal liabilities, our brand and our reputation may be tarnished, and the demand for our products may decline, and as a result, our business, operating results and growth prospects may be adversely affected.

Moreover, there can be no assurance that our measures to address issues of unauthorized alterations of our products will be effective or sufficient to prevent distributors or their sub-distributors from modifying our products in the future. Any future failure to detect or prevent such alterations by distributors or their sub-distributors may cause our products to be removed from the electric two-wheeled vehicles catalogues of the relevant administrative authorities and result in suspension or prohibition of sales of our products, which would have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

Our performance depends on favorable labor relations with our employees, and any deterioration in labor relations, shortage of labor or material increase in wages may have an adverse effect on our results of operation.

Our success depends on our ability to hire, train, retain and motivate our employees. We consider favorable labor relations as a significant factor that can affect our performance, and any deterioration of our labor relations could cause labor disputes, which could result in disruption of production and operations.

Since the reform and opening up, mainland China has experienced rapid economic growth, which has resulted in significantly increased labor costs. Average labor wages are expected to increase. In addition, we may need to increase our total compensations to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labor costs may have an adverse effect on our results of operations.

Our employees are subject to risks of serious injury or death caused by the use of manufacturing equipment and machinery.

We use heavy machinery and equipment in our productions, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Safety trainings we provide to our employees may not be effective to prevent accidents. Any significant accidents caused by the use of equipment or machinery could interrupt our production, damage our corporate image and result in legal and regulatory liabilities. Although we have in place work-related injury insurance and medical insurance, the insurance coverage may be inadequate to offset losses arising from claims related to such accidents. In addition, potential industrial accidents leading to significant property loss, personal injury or death may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families, as well as fines or penalties. As a result, our reputation, brand, business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to detect or prevent fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties. If our employees, customers or other third parties engage in fraud, bribery, corruption or other misconduct, we may be subject to liability and our reputation and business could be harmed.

We may be exposed to fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. For details of our anti-corruption and anti-bribery policy, see "Business – Sales and Distribution – Anti-corruption and Anti-bribery." Although our internal control procedures are designed to monitor our operations and ensure overall compliance, our internal control procedures may be unable to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely manner. If such misconduct occurs, we may be subject to claims, fines or suspension of our operations and may suffer from negative publicity and reputation damages.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

We may become subject to product liability claims, which could harm our business, financial condition, results of operations, and prospects. The electric two-wheeled vehicle industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected or malfunction resulting in property damage, personal injury, or death. A successful product liability claim against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our vehicles and business and inhibit or prevent commercialization of our future vehicles, which would materially and adversely affect our brand, business, prospects, and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages may materially and adversely affect our reputation, business, financial condition, and results of operations.

We may be compelled to undertake product recalls or other actions, and our warranty reserves may be insufficient to cover future warranty claims which could adversely affect our brand image, financial condition, results of operations, and growth prospects.

We may be subject to product recalls in the event that our products are found to be defective or non-conforming to applicable product standards. There can be no assurance that we will not be subject to adverse publicity, damage to our brand, and costs for recalls of our vehicles in the future.

We face an inherent business risk of exposure to warranty claims if our products actually or allegedly fail to perform as expected. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our warranty expenses amounted to RMB3.3 million, RMB5.1 million, RMB6.6 million, RMB1.7 million and RMB2.2 million, respectively. There can be no assurance that our quality control and testing measures will be sufficient to prevent against product defects. There can also be no assurance that we will not incur significant costs to replace or repair faulty products, make refunds for product returns or defend against such claims.

We generally make provisions for product warranty by reference to the sales volume and the corresponding costs for warranty services. We reevaluate the adequacy of our provisions for product warranty on a regular basis. We cannot assure you that such reserves will be sufficient to cover future claims. We could, in the future, become subject to significant and unexpected warranty claims, resulting in significant expenses, which would in turn materially and adversely affect our business, prospects, financial condition and results of operation. In addition, if any of our products are or are alleged to be defective, we may be required to recall such products. Although our suppliers are generally responsible for repairing or replacing faulty electric two-wheeled vehicle parts that they supply to us, we cannot assure you that the future cost associated with providing product warranties and/or bearing the cost of repair or replacement of our products or related damage to our brand image will not have a material adverse effect on our financial condition and liquidity.

In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our vehicles, including any systems or parts sourced from our suppliers, prove to be defective or non-compliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary, could involve significant expense and could adversely affect our brand image in our target markets, as well as our business, financial condition, results of operations, and growth prospects.

Our electric two-wheeled vehicles are subject to stipulated safety technical specifications and the failure to satisfy such stipulated safety technical specifications would materially and adversely affect our business and results of operations.

All vehicles sold must comply with various standards of the market where the vehicles are sold. In mainland China, our electric two-wheeled vehicles must meet or exceed all stipulated safety technical specifications in mainland China, for example, electric bicycles are required to comply with the New National Standards and electric motorcycles and electric mopeds are required to comply with the Safety Specification for Electric Motorcycles and Electric Mopeds (GB24155-2020). According to the specifications, rigorous testing and the use of approved materials and equipment are required. Additionally, electric two-wheeled vehicles must pass various tests and undergo a certification process and be affixed with the China Compulsory Certification before receiving delivery from the factory, being sold, or being used in any commercial activity, and such certification is also subject to periodic renewal. The PRC government carries out supervision and scheduled or unscheduled inspection of certified electric two-wheeled vehicles on a regular basis as well.

If our certification fails to be renewed upon expiry, a certified electric two-wheeled vehicle has a defect resulting in quality or safety accidents, or consistent failure of certified electric two-wheeled vehicles to comply with certification requirements is discovered during follow-up inspections, our certification may be suspended or even revoked. With effect from the date of revocation or during suspension of the certification, any electric two-wheeled vehicle that fails to satisfy the requirements for certification may be stopped from delivering, selling, exporting, or using in any commercial activity. Therefore, failure by us to satisfy the abovementioned safety technical specifications and compulsory certification would materially and adversely affect our business and results of operations.

Certain models of our electric two-wheeled vehicles use lithium-ion batteries, which have been observed to catch fire or vent smoke and flame.

For some of our products, we purchase lithium-ion batteries from third-party suppliers. On rare occasions, lithium-ion batteries can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. We may rely on more safe lithium-ion batteries to be developed, however, our electric two-wheeled vehicles or their battery packs may still experience failure, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. In addition, negative public perceptions regarding the suitability of lithium-ion batteries for use on electric two-wheeled vehicles or any future incident involving lithium-ion batteries such as an electric two-wheeled vehicle or other fire, even if not involving our products, could adversely affect our business.

We have limited insurance to cover our potential losses and claims.

We have maintained certain insurance policies to safeguard against various risks and unexpected events associated with our business and operations, including property insurance covering inventory and warehouse and product liability insurance which applies to our products. For additional details of our insurance coverage, see the section headed "Business – Insurance." We do not maintain business interruption insurance, nor do we maintain key-man life insurance. Although we require retail outlets to purchase relevant insurances under our retail outlet management policy, there is no guarantee that the retail outlets will adhere to such requirements. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to higher income tax rates if our preferential tax treatment become unavailable and government grants currently received by us may be reduced or discontinued in the future.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The statutory corporate income tax rate for our businesses in mainland China is 25%. However, during the Track Record Period, Zhejiang Luyuan and Shandong Luyuan enjoyed a preferential corporate income tax rate of 15% as qualified new and high-tech enterprises, instead of the general rate of 25%. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

We also receive government grants from local governments primarily in the form of subsidies on industry development, tax refunds and rewards for our contribution to the local economic growth. Our government grants recorded in the consolidated income statements amounted to RMB11.6 million, RMB10.2 million, RMB20.5 million, RMB7.6 million and RMB15.0 million in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. See "Financial Information – Description of Key Components of Our Results of Operations – Other Income." We cannot assure you that we will continue receiving or benefiting from such grants in the future.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.

As of December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, we had contract liabilities of RMB57.1 million, RMB82.9 million, RMB96.4 million and RMB63.4 million, respectively. Our contract liabilities are primarily advanced payments from distributors. If we fail to honor our obligations under our contracts with our customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our financial condition. In addition, if we fail to honor our obligations under our contracts with our customers, it may also adversely affect our relationship with such customer, which may in turn affect our results of operations in the future.

Our investments in wealth management products and structured deposits may be subject to certain counterparty risks and market risks, and we are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.

During the Track Record Period, to better manage our cash at hand, we invested in certain wealth management products and structured deposits from reputable commercial banks in mainland China. As of December 31, 2020, 2021 and 2022 and April 30, 2023, the balance of our wealth management products and structured deposits were RMB63.6 million, RMB90.1 million, RMB63.5 million and RMB101.9 million, respectively. During the Track Record Period, we also bought certificate of deposits. As of December 31, 2020, 2021 and 2022 and April 30, 2023, the balance of our certificate of deposits amounted to nil, RMB337.9 million, RMB470.0 million and RMB480.0 million, respectively. We plan to continue to invest in wealth management products and structured deposits after the Listing and may consider other wealth management products when we believe that we have sufficient cash and the potential investment returns are reasonable.

We are subject to the risks that any of our counterparties, such as the licensed banks that issued the wealth management products and structured deposits, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products and structured deposits we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered impaired, and an impairment loss would be recognized in accordance with accounting policies and charged to our consolidated income statements and consolidated statements of other comprehensive income for the relevant period. Accordingly, any material decline in the fair value of these investments may have a material adverse effect on our results of operations.

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we recognized fair value gains on financial assets at fair value through profit or loss of RMB8.7 million, RMB14.9 million, RMB19.6 million, RMB5.6 million and RMB4.2 million, respectively. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected. For details, see note 7 to the Accountant's Report in Appendix I to this prospectus.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to unobservable inputs to the price of the underlying investments using a valuation pricing model and is classified as Level 2 and Level 3 fair value measurements. Changes in these unobservable inputs may affect the estimated fair value of our financial assets at the end of each financial reporting period. Considering the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

We cannot assure you that our internal control procedures related to the investment procedures will be effective and adequate. We cannot assure you that we will not experience losses with respect to these investments in the future or that such losses or other potentially negative impact will not have a material adverse effect on our business and financial condition.

Our results of operations and financial condition may be adversely affected by fair value changes of debt instruments at fair value through other comprehensive income and valuation uncertainty due to the use of unobservable inputs.

Our debt instruments at fair value through other comprehensive income consist of bank acceptance bills accepted by banks with relatively high credit ratings, which were mainly used by our corporate and institutional clients and distributors to settle payment to us. Our debt instruments at fair value through other comprehensive income amounted to RMB175.8 million, RMB119.0 million, RMB95.2 million and RMB168.3 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Our debt instruments at fair value through other comprehensive income were classified as level 3 financial instruments for accounting purpose. The related fair value measurement was based on significant unobservable inputs, such as discount rate. See note 3.3 and note 20 to the Accountant's Report included in Appendix I to this prospectus for details. As such, we are exposed to fair value change of debt instruments at fair value through other comprehensive income and valuation uncertainty due to the use of unobservable inputs.

We could be adversely affected as a result of sales in countries that are subject to evolving economic sanctions by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical friction. Changes to national trade or investment policies, treaties and tariffs, fluctuations in exchange rates or the perception that these changes could occur, could adversely affect our expansion into overseas markets. The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting sanctioned countries, or against industry sectors, groups of companies or persons, and/or organizations within such countries. These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If we were required to pay penalties as a result of any sanctions violations, or alter our business to prevent violation of sanctions rules or regulations, it could adversely impact our results of operations.

In addition, economic sanctions laws imposed by the United States, European Union, and other jurisdictions may expose us to potential compliance risks. Sanctions laws prohibit business in or with certain countries or governments, and with certain persons or entities that have been sanctioned by the United States, the European Union or other governments and international or regional organizations, such as the United Nations Security Council. Although we mainly operate within mainland China, we from time to time have engaged or may engage in certain international business that could expose us to international sanction risks. It is possible that governmental authorities may in the future impose sanctions on us, particularly in the event that we fail to detect and, as appropriate, remediate such violations, and there can be no assurance that we can always be in compliance with all such sanctions laws in the future. We also cannot predict with certainty the interpretation or implementation of any sanctions laws or policies or their future changes. Any alleged violations of sanctions laws or engagement in sanctionable activities could adversely affect our reputation, business, results of operations and financial condition.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

We rely on information technology systems to process, transmit and store information in relation to our operations, manage business data and increase efficiencies in our production and distribution facilities and inventory management processes. In addition, we utilize information technology systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. A portion of the communications between our personnel and our suppliers, distributors and consumers depends on information technology as well. However, our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

In addition, we may from time to time implement, modify and upgrade our information technology systems and procedures to support our growth and the development of our e-commerce business. These modifications and upgrades could require substantial investment and may not improve our profitability at a level that outweighs their costs, or at all.

Our business is subject to complex and evolving laws and regulation regarding data security and privacy.

Regulatory authorities in mainland China have implemented and are considering further legislative and regulatory proposals with more sophisticated requirements concerning data security and privacy. Existing or newly-introduced laws and regulations, or their interpretation, application or enforcement, could require us to change our data security and privacy practices and other business activities, including but not limited to data collection, storage, transmission and exchange or other data usage activities.

Compliance with the data security and privacy related laws and regulations as well as additional or amended laws and regulations that regulatory bodies in mainland China may enact in the future, may result in additional expenses to us. We cannot assure you that we are able to manage these risks in the future. If we fail to be in full compliance with any data security and privacy laws and regulations and become subject to administrative penalties and negative publicity, our reputation and results of operations could be materially and adversely affected.

We did not pay social welfare contributions or housing provident fund contribution for certain of our employees and may be subject to fines or penalties.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance premium contributions and housing provident fund payments for our employees. During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for our employees timely or in full in accordance with the relevant PRC Law. See "Business – Legal Proceedings and Compliance – Compliance – Non-compliance with PRC Law" for details. The provision we have made related to social insurance and housing provident fund contributions in 2020, 2021 and 2022 and the four months ended April 30, 2023, amounted to approximately RMB4.4 million, RMB3.4 million, RMB1.2 million and nil, respectively.

According to our PRC Legal Advisors, pursuant to relevant PRC Law, we may be required by the relevant authority in mainland China to pay the amount of unpaid social insurance within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If we fail to do so within the period as required by the local social insurance authorities, we may be subject to a penalty of up to three times of the amount of social insurance premiums payable, and the relevant authorities may apply to a PRC court for an order to enforce the payment. Our PRC Legal Advisors have further advised us that, pursuant to relevant PRC Law, if we fail to pay the full amount of housing provident fund within as required, the relevant authorities may order us to make the outstanding payment within a prescribed time limit. If we fail to do so within such prescribed time limit, the relevant authorities may apply to a PRC court for compulsory enforcement.

We may be subject to fines for failure to register some of our lease agreements and face risk with respect to owned properties that are used inconsistent with their permitted usage.

As at the Latest Practicable Date, we entered into sixteen lease agreements as the tenant and five lease agreements as the landlord in mainland China, including two lease agreements entered into between subsidiaries of our Group, ten of which had yet to be registered with the relevant government authorities in accordance with PRC Law. As advised by our PRC Legal Advisors, the lack of registration of a lease will not affect its legality, validity or enforceability. However, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority, which may materially and adversely affect our business, financial condition, results of operations and prospects. See "Business – Properties – Leased Properties" for details.

As at the Latest Practicable Date, we were not provided with sufficient and valid ownership certificates or proper authorization from owners of certain of our leased properties. See "Business – Properties – Leased Properties" for details. Any dispute or claim in relation to these properties could result in us having to relocate and/or obtain alternative accommodation for certain of our employees. If our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

As of the Latest Practicable Date, the current usage of two of our owned properties is inconsistent with their permitted usage as stated in their respective property ownership certificates. As advised by our PRC Legal Advisors, for the properties with usage defects, administrative penalties may be imposed on owners of properties if the properties are used inconsistent with their permitted usage, and our current usage may be interrupted. Furthermore, if the relevant land authority in mainland China allows us to continue to use such properties for their current usage they may require payment of land premium.

We may fail to comply with legal or regulatory requirements or to obtain or adhere to requirements under relevant licenses or permits.

In accordance with the laws and regulations of the PRC, we are required to comply with legal or regulatory requirements and maintain various approvals, licenses and permits in order to operate our business in mainland China. For details on regulations and laws we are subject to, see "Regulatory Overview." In addition to the business licenses, we are also required to obtain various government approvals and comply with applicable standards in relation to our manufacturing process and manufacturing facilities. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable regulations and laws. The approvals, licenses and permits necessary to our business are still subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation. For details, see "Business – Licenses, Permits and Regulatory Approvals".

Due to uncertainties in the regulatory environment of the industries in which we operate, there can be no assurance that we would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses, or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance. We may also be liable for fines or a penalty of confiscating illegal gains, which may materially and adversely affect our business, financial conditions, and results of operations.

We may be liable for commencing construction of a facility without completing environmental impact assessment procedures and commencing production at one of our production plants without undergoing the inspection and acceptance procedures.

During the Track Record Period, we commenced (i) the construction of a facility at our Guangxi Plant without obtaining the approval of the relevant government authorities with respect to the required environmental impact report; and (ii) the production at our Guangxi Plant without undergoing the inspection and acceptance procedures. As advised by our PRC Legal Advisors, according to the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Regulations on Environmental Protection Management of Construction Projects (《建設項目環境保護管理條例》), (i) commencing the construction of our manufacturing facility without preparing the required environmental impact assessment documents and without obtaining the approval of the relevant government authorities could subject us to a fine ranging from 1% to 5% of the overall investment amount for such construction project depending on the materiality and consequences of such violations, and we may be ordered to restore the construction site to its original state; and (ii) commencing the production of our Guangxi Plant without undergoing the inspection and acceptance procedures could subject us to an order to make correction within a specified time limit and a fine ranging from RMB200,000 to RMB1.0 million. If we are found not to have rectified such non-compliance within the specified time limit, we may be subject to a fine of RMB1.0 million to RMB2.0 million. If the construction project causes significant environmental pollution or ecological damage, the production or usage shall be suspended, or the project shall be closed down upon the approval by the relevant government authorities. Furthermore, according to Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) failure to submit completion acceptance reports, relevant approval documents or permission documents in accordance with the regulations could subject us to an order to make corrections a fine ranging between RMB200,000 to RMB500,000.

Regulation of electric two-wheeled vehicles may continue to evolve and change in mainland China.

Our electric bicycles are classified as "non-motorized" vehicles under the PRC Road Traffic Safety Law and are therefore subject to less stringent regulatory requirements than "motorized vehicles", such as our electric motorcycles and electric mopeds, as defined therein (which are subject to higher licensing, driver qualification and road use requirements as well as higher speed and performance standards). In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue contributable to the sales of our electric bicycles accounted for 42.5%, 41.7%, 46.7%, 38.7% and 48.7% of our revenue, respectively. The New National Standards implemented in 2019 marks another stage of governmental supervisory on electric two-wheeled vehicles. Though rigorous restrictions against electric two-wheeled vehicles out of safety concern have been eased, there can be no assurance that regulatory requirements with respect to our products will not be increased in the future. For example, many cities in mainland China have recently implemented stricter regulatory requirements on electric two-wheeled vehicles including those related to riding and parking behavior of consumers. Any such increase in regulatory requirements could drive consumers to opt for other mobility options such as vehicles, motorcycles or bicycles and have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to comply with environmental laws and regulations may subject us to fines or penalties or incur costs that could materially adversely affect the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the Environmental Protection Law and the Environment Impact Assessment Law. See "Regulatory Overview" for details. Failure to comply with environmental laws may affect our abilities to develop, manufacture and commercialize our products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. Furthermore, we may be required to incur substantial costs to comply with current or future environmental laws and regulations. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

We have records of non-compliance with certain Hong Kong regulatory requirements which could lead to the imposition of fines.

There have been a number of instances of non-compliance with certain Hong Kong regulatory requirements by our Group. These include: (i) filing a specified form with the Companies Registry later than the time limit stipulated in the Companies Ordinance; (ii) failing to secure sufficient employees' compensation insurance for one of our employees in breach of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and (iii) failing to file Form 56B, for each of the years of assessment ended March 31, 2020 and March 31, 2021, and Form 56F with the Inland Revenue Department of Hong Kong for one employee within the prescribed time limit under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). See "Business – Legal Proceedings and Compliance – Compliance – Non-compliance with Hong Kong Laws" for further details.

If the relevant authorities take enforcement actions against our executive Directors or Group members, and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay certain penalties, and our reputation, cash flow and results of operations may be adversely affected.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subjects us to potential product liability claims if our products are proved to have failed to meet relevant safety standards or other laws and regulations, or cause or are alleged to have caused safety issues. See "Business – Legal Proceedings and Compliance – Legal Proceedings" for certain litigations which our Group was involved in during the Track Record Period and up to the Latest Practicable Date. If we do not succeed in defending against any product liability claims or other claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We face litigation risks.

In the course of preparation for our Listing, a former employee of our Group alleged that he had interests in 2% shares in our Company and a minority stake in Zhejiang Luyuan. During the Track Record Period and up to the Latest Practicable Date, such former employee had not commenced any legal proceedings against our Group in respect of his said alleged interests. See also "History, Reorganization and Corporate Structure – Corporate Structure" for details. Any claims, disputes or legal proceedings brought against us, even without merit, may result in substantial costs and diversion of resources, may materially harm our reputation.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, including the COVID-19 outbreak, may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters such as earthquakes, floods and droughts, or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and COVID-19 in locations where we have operations, whether production, sales and distribution or otherwise, may materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO MAINLAND CHINA

Mainland China's economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in mainland China and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in mainland China.

The economy in mainland China has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce State ownership of productive assets and to promote the establishment of sound corporate governance in business entities. In addition, the PRC government continues to play a significant role in guiding, encouraging and regulating economic growth through the allocation of resources, monetary policies and tax policies, etc. While these measures may benefit China's macro economy as a whole, some of them may result in uncertainties to us.

Our performance has been and will continue to be affected by mainland China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact mainland China's economic growth. The global macroeconomic environment is facing challenges, including the end of quantitative easing and start of interest rate hikes by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014 and the withdrawal of the U.K. from the EU at the end of January 2020, the outbreak of COVID-19 and the recent Russia-Ukraine crisis. There have also been concerns over unrest and terrorist threats in the Middle East, Europe, and Africa and over the conflicts involving Ukraine, Syria and North Korea, which have resulted in market volatility. There have been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have adverse economic effects. The ongoing trade tensions between the United States and China may have tremendous negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Any severe or prolonged slowdown in the global economy may materially and adversely affect our business, results of operations and financial condition. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The M&A Rules and certain other PRC regulations establish additional procedures for some acquisitions of Chinese companies by foreign investors.

Certain PRC regulations established additional procedures and requirements for merger and acquisition activities in mainland China by foreign investors. These procedures and requirements aim to provide more regulatory clarity and oversight for foreign investment, though they may result in longer timeframes and complexity. For example, the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), adopted by six regulatory agencies in mainland China in 2006 and amended in 2009, require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a domestic enterprise in mainland China if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or time-honored brand in mainland China. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by enterprises or residents in mainland China acquire affiliated domestic companies. For details, see "Regulatory Overview – Regulations Relating to M&A Rules and Overseas Listing." The M&A Rules further require that, among others, an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by companies or individuals in mainland China, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in particular if the special purpose vehicle acquires shares of or equity interests in the companies in mainland China in exchange for shares of offshore companies. Moreover, the Anti-Monopoly Law (《反壟斷法》) requires that the anti-monopoly enforcement agency shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Furthermore, as required by the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective as of January 18, 2021, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, information technology, internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts and other PRC government authorities. We cannot assure you that we will be able to complete such transactions in a timely manner or at all, which could affect our ability to expand our business or maintain our market share.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments.

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside mainland China has its "de facto management bodies" within mainland China, such enterprise would generally be deemed as a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by mainland China enterprises. We are currently not regarded as a PRC tax resident enterprise. However, if we are regarded as a PRC tax resident enterprise by the tax authorities in mainland China, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to mainland China withholding tax on dividends from us and mainland China income tax on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, mainland China withholding tax at a rate of 10% is normally applicable to dividends from a mainland China source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in mainland China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to a 10% mainland China income tax if such gain is regarded as income derived from sources within mainland China.

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to mainland China income tax at a rate of 20% for individuals. Any mainland China tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under "– We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments," dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within mainland China and as a result be subject to mainland China income taxes described above. If mainland China income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes in fiscal and foreign exchange policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Policies regarding foreign currency conversion may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.

We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any.

Under existing foreign exchange regulations in mainland China, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. There is no assurance that these foreign exchange policies will continue in the future. Any shortage in the availability of foreign currency may restrict our ability to pay dividends in foreign currencies to our Shareholders, capitalize our capital expenditure plans or otherwise satisfy any other foreign currency denominated obligations.

Scrutiny over acquisitions from the tax authorities in mainland China may have a material impact on our business, acquisition or restructuring strategies or the value of your investment in us.

The SAT promulgated several rules and notices regarding acquisitions in recent years. On February 3, 2015, the SAT issued the Public Announcement of the State Administration of Taxation on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**SAT Bulletin 7**"), which was partially abolished by the Announcement of the State Administration of Taxation on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) and the Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) (the "**Circular 42**"). The SAT Bulletin 7 provided comprehensive guidelines relating to indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

For example, the SAT Bulletin 7 specifies that the tax authorities in mainland China are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by treating the transaction as if there were no such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding mainland China enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in the SAT Bulletin 7, transfers of Chinese taxable property simultaneously satisfied all the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to mainland China enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in mainland China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from mainland China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in mainland China that may be imposed on the direct transfer of such PRC Taxable Assets. Although the SAT Bulletin 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in mainland China under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under the SAT Bulletin 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of mainland China involving PRC Taxable Assets, or whether the tax authorities in mainland China will reclassify such transaction by applying the SAT Bulletin 7. Therefore, the tax authorities in mainland China may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of mainland China involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional mainland China tax reporting obligations or tax liabilities.

Provisions of the SAT Bulletin 7, which impose mainland China tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbor**"). In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to mainland China tax liabilities and reporting obligations imposed under the SAT Bulletin 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Prospectus and the Global Offering", potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our mainland China subsidiaries and our mainland China subsidiaries' ability to distribute profits to us, if our mainland China resident Shareholders or beneficial owners fail to comply with relevant mainland China foreign exchange regulations.

The SAFE has promulgated several regulations that require mainland China residents and mainland China corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") was promulgated by the SAFE in July 2014 and requires mainland China residents or entities to register with SAFE or its local counterparts before the mainland China residents contributes assets or equity interests in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which was promulgated by the SAFE in February 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. These regulations apply to our Shareholders who are mainland China residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, mainland China residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any mainland China resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the qualified bank, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any mainland China shareholder fails to make the required registration or update the previously filed registration, the mainland China subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested mainland China residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any such Shareholders to comply with the SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in mainland China and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

It is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a mainland China domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for share option plans may subject the mainland China plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, mainland China residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local counterparts and complete certain other procedures. Participants of a stock incentive plan who are mainland China residents must retain a qualified PRC agent, which could be a mainland China subsidiary of the overseas publicly listed company or another qualified institution selected by the mainland China subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 7 stipulates that mainland China residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local counterparts before they exercise the share options. We and our mainland China employees who have been granted share options will be subject to these regulations upon the completion of this Global Offering. Failure of our mainland China share option holders to complete their SAFE registrations may subject these mainland China residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our mainland China subsidiaries, limit our mainland China subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in mainland China will be subject to mainland China individual income tax upon exercise of the share options. Our mainland China subsidiaries have obligations to file documents with respect to the granted share options with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

The development of the legal system in mainland China could affect the legal protections available to our Shareholders.

The legal system in mainland China is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. The PRC government has promulgated a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past few decades has significantly enhanced the protections afforded to various forms of foreign investment in the PRC. However, the PRC's legal system continues to develop and laws, regulations and rules are subject to amendment from time to time. We cannot predict the effect of future developments in the PRC's legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof. These matters could affect the legal protections available to us and other foreign investors, including you. In addition, litigation in general may be protracted and result in substantial costs and diversion of our resources and management attention.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors and management.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in mainland China and substantially all of our current operations are conducted in mainland China as well. In addition, most of our current Directors and officers are PRC nationals and residents of mainland China and substantially all of the assets of these persons are located in mainland China. It may be difficult, complicated and time-consuming for investors to effect service of process upon us or those persons in mainland China for disputes brought in courts outside mainland China.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which seeks to establish a mechanism that promotes clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. On October 26, 2022, the Mainland Judgements in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (the "**Reciprocal Arrangement Ordinance**") was passed. The effective date of the 2019 Arrangement and the Reciprocal Arrangement Ordinance have yet to be announced and how they will be implemented remain uncertain.

Any failure to protect our distributors, customers and suppliers data, or the improper collection, use or disclosure of such data, as well as the uncertainties surrounding the cybersecurity review may subject us to the liabilities imposed by data privacy and protection laws and regulations, which may negatively impact our reputation and business.

In the ordinary course of our business, we may collect and use information provided by distributors, customers and suppliers based on their consent, which may include their payment services' account names and other information. We are subject to various laws and regulations regarding the collection, storage, sharing, use, disclosure and protection of personally identifiable information and data.

In November 2016, the SCNPC promulgated the Cyber Security Law, which requires, among others, that network operators take security measures to protect the network from unauthorized interference, damage and unauthorized access and prevent data from being divulged, stolen or tampered with. Network operators are also required to collect and use personal information in compliance with the principles of legitimacy, properness, and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. On August 20, 2021, SCNPC passed the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which became effective on November 1, 2021. The PRC Personal Information Protection Law lays out the fundamental rules for the collection, storage, use, processing, transmission, provision, disclosure, deletion of personal information in mainland China. The PRC Personal Information Protection Law further supplements the existing data protection regime previously established by the Cyber Security Law and provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained or where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. The collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible, and excessive collection of personal information is prohibited. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the Cyber Security Law and the PRC Personal Information Protection Law. See "Regulatory Overview – Regulations Relating to Information Security and Personal Information Protection" for details.

Complying with these data privacy and protection laws and requirements may involve substantial expenses or require us to alter or change our practices in a manner that may have potential impacts on our business. We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under data protection, privacy and security laws will be sufficient. In addition, any failure or perceived failure by us or our business partners to comply with any applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties, which could materially and adversely affect our business and results of operations.

Besides, the Measures for Cybersecurity Review (《網絡安全審查辦法》) stipulates the mandatory requirement of cybersecurity review for companies which hold more than one million users personal information when applying for a listing in a foreign country (國外上市). Our PRC Legal Advisors are of the view that such mandatory requirements of cybersecurity review under the Article 7 of the Measures for Cybersecurity Review are applicable to companies which are seeking a listing in a foreign country (國外上市) and we are not required to initiate a submission for cybersecurity review in connection with the Listing in Hong Kong under the Article 7 of the Measures for Cybersecurity Review.

The Draft Cyber Data Security Regulations provides cross-border data transmission security and cybersecurity review standards for listing abroad and in Hong Kong and the protection of important data and personal information rights. According to the Draft Cyber Data Security Regulations, data processors refer to individuals or organizations that independently determine the purposes and methods of their data processing activities. If the listing in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. Our PRC Legal Advisor has advised us that the Draft Cyber Data Security Regulations is applicable to the data processing activities of our Company if the draft regulations were to be implemented in current form. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to "affect or may affect national security." As of the Latest Practicable Date, the Draft Cyber Data Security Regulations was released for public comments only and its final version and effective date are subject to change and uncertainty, the Company is not bound by the requirements on cybersecurity review for the proposed Listing in Hong Kong under the Draft Cyber Data Security Regulations as such regulations have not come into effect now.

The regulatory regime on data privacy and security in mainland China is relatively new. The interpretation and application of relevant laws, regulations and standards remain evolving. We cannot assure you that governmental authorities will not interpret or implement the laws or regulations in ways that present challenges for us in maintaining compliance. We may be subject to investigations and inspections by government authorities regarding our compliance with relevant laws and regulations. Any inability to adequately address data privacy and security concerns, even if unfounded, or to comply with applicable data security and privacy laws, regulations and standards, could result in additional cost and liability for us, damage our reputation and harm our business.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Normally, a stabilizing manager acting on behalf of the underwriters may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the offer shares at a level higher than that which might otherwise prevail in the open market. However, given that we will not grant any over-allotment option to the underwriters, no stabilizing manager has been appointed by us in connection to the Global Offering and it is anticipated that no price stabilization activities will be conducted by any underwriters, which may result in substantial losses for investors during the period when price stabilization activities would normally have been conducted.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

Since there may be a gap of several Business Days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Companies Act is set out in Appendix IV to this prospectus.

Facts and statistics in this prospectus may come from various sources and may not be fully reliable.

Some of the facts and statistics in this prospectus are derived from various publications of governmental agencies or publicly available sources that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor, the Sole Overall Coordinator or any other parties involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics maybe inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

In preparation for the Global Offering, our Company has sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 18, 2009. The headquarters of our Company is located in mainland China and a substantial portion of the business operations and management functions of our Group are based outside of Hong Kong and in mainland China. Our Company has three executive Directors and three senior management members, all of whom are based in mainland China and are expected to continue to be based in mainland China. We consider that it is in the best interests of our Company for our executive Directors and our senior management to be based in the places where the Group has significant operations and it would be practically difficult, unduly burdensome and costly to appoint additional executive Directors who are ordinarily resident in Hong Kong.

We do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules. The two authorized representatives are Mr. Ni, our executive Director and the chairman of our Board, and Ms. Chu Cheuk Ting, one of our joint company secretaries. The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. Ms. Chu Cheuk Ting is ordinarily resident in Hong Kong, and Mr. Ni will be available to visit Hong Kong and meet with the Stock Exchange within a reasonable period of time upon request. The authorized representatives will be readily contactable by the Stock Exchange by telephone and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange. Additionally, Mr. Chan Chi Fung Leo, our independent non-executive Director, is also ordinarily resident in Hong Kong and will be readily contactable by the Stock Exchange to facilitate effective and timely communications between our Company and the Stock Exchange;

(b) each of the authorized representatives has means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. Our Company will implement a policy whereby:

   (i) each Director will provide his/her mobile phone number, office phone number and email address to the authorized representatives;

   (ii) each Director will provide his/her phone numbers or means of communication to the authorized representatives when he/she is travelling; and

   (iii) each Director will provide his/her mobile phone number, office phone number and email address to the Stock Exchange;

(c) in compliance with Rules 3A.19 of the Listing Rules, our Company has retained Jun Hui International Finance Limited to act as the compliance adviser of our Company, who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes its financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules. Our Company will ensure that the compliance adviser has prompt access to our Company's authorized representatives and Directors who will provide to the compliance adviser such information and assistance as the compliance adviser may need or may reasonably require in the course of performing its duties. In the event our authorized representatives and our Directors are unavailable, our compliance adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication between the Stock Exchange and our Company;

(d) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser;

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that each of them possesses valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable notice; and

(f) our Company will retain a Hong Kong legal advisor to advise our Company on the application of the Listing Rules and other applicable Hong Kong laws and regulations after the Listing.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules stipulates that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of the Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 (i.e. not less than 15 hours of relevant professional training in each financial year); and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Chen Guosheng ("**Mr. Chen**") as one of our joint company secretaries. Our Directors are of the view that, considering Mr. Chen's past management experience within our Group, his thorough understanding of the internal administration and business operations of our Group as well as his industry knowledge, he is a suitable person to act as a company secretary of the Company. In addition, as our headquarters and principal business operations are located in mainland China, our Directors believe that it is necessary to appoint Mr. Chen as a company secretary whose presence in mainland China will enable him to attend to the day-to-day corporate secretarial matters concerning our Group. However, as Mr. Chen does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Therefore, we have appointed Ms. Chu Cheuk Ting ("**Ms. Chu**"), who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to assist Mr. Chen to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Hong Kong Listing Rules. Further biographical details of Mr. Chen and Ms. Chu are set out in the section headed "Directors and Senior Management" in this prospectus.

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. Chu will assist Mr. Chen in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. In addition, Mr. Chen will also attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.17 and 3.28 of the Listing Rules in respect of the appointment of Mr. Chen as one of our joint company secretaries pursuant to Guidance Letter HKEX-GL108–20 on the following conditions:

(a) Mr. Chen must be assisted by Ms. Chu, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of our Company, throughout the validity period of the waiver; and

(b) the waiver is valid for a period of three years from the Listing Date and will be revoked immediately if and when Ms. Chu ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company; and

(c) before the end of the three-year period, the qualifications and experience of Mr. Chen and the need for on-going assistance of Ms. Chu will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Mr. Chen, having had the benefit of the assistance of Ms. Chu for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Stock Exchange may revoke the waiver if Ms. Chu ceases to provide assistance to Mr. Chen during the three-year period.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE SCHEME

Rule 17.02(1)(b) of the Listing Rules requires our Company to disclose, among other things, full details of all outstanding options and awards granted under the Pre-IPO Share Scheme upon Listing. Paragraph 27 of Appendix 1A to the Listing Rules requires our Company to disclose particulars including the consideration for which the options were or will be granted and the price and duration of the options, and the names and addresses of the grantees under the Pre-IPO Share Scheme.

Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Scheme to a total of 108 eligible participants, including 14 Directors, senior management or connected persons of our Company and 94 other employees of our Group, to acquire an aggregate of 16,736,000 Shares (on the basis that the Global Offering and the Capitalization Issue have been completed), representing 3.92% of the total number of Shares in issue immediately after completion of the Global Offering and the Capitalization Issue (assuming no Shares are issued pursuant to the Post-IPO Share Scheme) on the terms set out in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV.

We have applied to the Stock Exchange and SFC, respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(a) given that 108 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Scheme in this prospectus would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;

(b) the grant and exercise in full of the options under the Pre-IPO Share Scheme will not cause any material adverse impact to the financial position of our Company;

(c) non-compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(d) material information relating to the options under the Pre-IPO Share Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Scheme. The Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment in their investment decision making process has been included in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interest of the investing public.

The Stock Exchange has agreed to grant to our Company a waiver under the Listing Rules on condition that:

(a) on an individual basis, full details of the options granted by the Company under the Pre-IPO Share Scheme to (1) each of the Directors, the senior management and connected persons of our Company; and (2) other grantees who have been granted options to subscribe for 120,400 Shares or more will be disclosed in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by the Company under the Pre-IPO Share Scheme to remaining grantees (other than those set out in (a) above), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee being: 1 to 100,000 Shares and 100,001 to 120,399 Shares. For each lot of Shares, the following disclosure will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Scheme, (2) the consideration paid (if any) for the grant of the options under the Pre-IPO Share Scheme and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Share Scheme, in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV;

(c) aggregate number of Shares underlying the options granted under the Pre-IPO Share Scheme and the percentage to our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV;

(d) the potential dilution effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO Share Scheme will be disclosed in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV;

(e) a summary of the major terms of the Share Incentive Schemes will be disclosed in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV;

(f) the particulars of the waiver will be disclosed in this prospectus;

(g) a full list of all the grantees (including the persons referred to in (a) above) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection as set out in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V; and

(h) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

(a) full details of the options granted by the Company under the Pre-IPO Share Scheme to (1) each of the Directors, the senior management and connected persons of our Company; and (2) other grantees who have been granted options to subscribe for 120,400 Shares or more will be disclosed in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV and such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by the Company under the Pre-IPO Share Scheme to remaining grantees (other than those set out in (a) above), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee being: 1 to 100,000 Shares and 100,001 to 120,399 Shares. For each lot of Shares, the following disclosure will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Scheme, (2) the consideration paid (if any) for the grant of the options under the Pre-IPO Share Scheme and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Share Scheme, in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV;

(c) a full list of all the grantees (including the persons referred to in (a) above) who have been granted the options under the Pre-IPO Share Scheme, containing all the particulars as required in paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection as set out in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V; and

(d) the particulars of the exemption will be disclosed in this prospectus, and this prospectus will be issued on or before September 28, 2023.

Further details of the Pre-IPO Share Scheme are set out in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV.

PROPOSED SUBSCRIPTION OF OFFER SHARES BY HAINAN DONGFANG THROUGH GALAXY JINHUI SECURITIES ASSET MANAGEMENT CO., LTD.

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the overall coordinator or any syndicate member (other than the overall coordinator).

Paragraph 13(7) of the Appendix 6 states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

For the purpose of the cornerstone investment, Hainan Dongfang Runze Private Equity Fund Management Co., Ltd (海南東方潤澤私募基金管理有限公司) ("**Hainan Dongfang**") has engaged Galaxy Jinhui Securities Asset Management Co., Ltd. ("**Galaxy Jinhui**"), an asset manager that is a qualified domestic institutional investor (QDII) as approved by the relevant PRC authority, to subscribe for and hold such number of Offer Shares as set out in the section headed "Cornerstone Investors" on a discretionary basis on behalf of Hainan Dongfang. As each of Galaxy Jinhui and China Galaxy International Securities (Hong Kong) Co., Limited ("**CGIS**") (as one of the Joint Bookrunners and Joint Lead Managers) is a wholly-owned subsidiary of China Galaxy Securities Co., Ltd. and thus a member of a group of companies controlled by China Galaxy Securities Co., Ltd., Galaxy Jinhui is a "connected client" (a "**Connected Client**") of CGIS for the purpose of paragraph 13(7) of Appendix 6 to the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit Hainan Dongfang to participate in the Global Offering through Galaxy Jinhui as a cornerstone investor subject to the following conditions:

(a) Galaxy Jinhui will hold Shares on behalf of Hainan Dongfang, which is an Independent Third Party of the Company;

(b) the cornerstone investment agreement to be entered into with Hainan Dongfang will not contain any material term which is more favorable to Hainan Dongfang (through Galaxy Jinhui as the asset manager) than those in other cornerstone investment agreements;

(c) CGIS has not participated, and will not participate, in the decision-making process of relevant discussions among the Company, the Sole Overall Coordinator and the Underwriters as to whether shares will be allocated to Hainan Dongfang (through Galaxy Jinhui as the asset manager) as a cornerstone investor;

(d) no preferential treatment has been, nor will be, given to the Connected Client other than the preferential treatment of assured entitlement to Hainan Dongfang (through Galaxy Jinhui as the asset manager) under a cornerstone investment following the principles set out in the Stock Exchange Guidance Letter HKEXGL51-13;

(e) each of the Sole Overall Coordinator, the Company, CGIS and the Connected Client has provided the Stock Exchange a written confirmation in accordance with the Stock Exchange Guidance Letter HKEX-GL85-16; and

(f) details of the allocation have been disclosed in this prospectus and will be disclosed in the allotment results announcement.

DIRECTORS' RESPONSIBILITY STATEMENT

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

CSRC FILING

On July 5, 2023, the CSRC publicly informed us that they have confirmed our Company's overseas offering and listing information submitted to them, and therefore, we have completed the CSRC filing for application of listing of the Shares on the Stock Exchange and the Global Offering. The CSRC accepts no responsibility for our financial soundness nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the **GREEN** Application Form.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or representation not contained in this prospectus and the **GREEN** Application Form must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Sole Overall Coordinator (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Sole Overall Coordinator (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" for further details.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" and in the **GREEN** Application Form.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering."

RESTRICTIONS ON OFFERS AND SALES OF THE SHARES

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

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

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in the Shares in issue and to be issued pursuant to (i) the Global Offering and the Capitalization Issue; and (ii) the Post-IPO Share Scheme.

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, October 12, 2023. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 2451.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Sole Overall Coordinator, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar and Transfer Office, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Company's Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

APPROVALS REQUIRED FOR THE LISTING

We have completed the CSRC filing for application of listing of the Shares on the Stock Exchange and the Global Offering. According to our PRC Legal Advisors, no other approvals from the CSRC are required to be obtained for the listing of the Shares on the Stock Exchange. The Listing does not require the approval of any other government authorities under the current laws, regulations and rules of the PRC or the Cayman Islands.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB, US$ and HK$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rates: RMB1.00: HK$1.09095, US$1.00: RMB7.17360 and US$1.00: HK$7.82606.

No representation is made that any amounts in RMB or US$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering and the Capitalization Issue assume that no Shares are issued under the Post-IPO Share Scheme.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ni Jie (倪捷)	No. 168 Shicheng Street Jinhua Industry Zone Zhejiang Province, China	Chinese
Ms. Hu Jihong (胡繼紅)	No. 168 Shicheng Street Jinhua Industry Zone Zhejiang Province, China	Chinese
Mr. Chen Guosheng (陳郭勝)	Flat 202, Unit 3, Building C05 Dongfang Mingzhu Duohu Street Jindong District, Jinhua City Zhejiang Province, China	Chinese
Non-Executive Director		
Mr. David Ross Dingman (alias Mr. David R. Dingman)	Ocean View Villa E20 at Albany Resort 127 S. Ocean Rd. Nassau, NP Bahamas	Bahamian
Independent Non-Executive Directors		
Mr. Wu Xiaoya (吳小亞)	Room 506, Building 1 Yiju Times Apartment No. 468 Huangshan Road Shushan District, Hefei City Anhui Province, China	Chinese
Mr. Peng Haitao (彭海濤)	Room B, No. 51, Kangxing Garden Lane 358, Guilin West Street Xuhui District Shanghai, China	Chinese
Mr. Liu Bobin (劉伯斌)	Room 801, Unit 2, Building 2 No. 1 Qingliangmen Street Gulou District, Nanjing, China	Chinese
Mr. Chan Chi Fung Leo (陳志峰)	Flat B, Floor 21, Tsui King Court 18 Water Street, Sai Ying Pun Central and Western Hong Kong	Chinese (Hong Kong)

Further information about our Directors and other senior management members is set out in the section headed "Directors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Sponsor-Overall Coordinator and Sole Global Coordinator	**China Securities (International) Corporate Finance Company Limited** 18/F Two Exchange Square 8 Connaught Place, Central Hong Kong
Joint Bookrunners	**China Securities (International) Corporate Finance Company Limited** 18/F Two Exchange Square 8 Connaught Place, Central Hong Kong
	TFI Securities and Futures Limited Suite 1108-1111, 11/F, Nexxus Building 41 Connaught Road Central Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong

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Daiwa Capital Markets Hong Kong Limited
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Valuable Capital Limited
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Livermore Holdings Limited
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SBI China Capital Financial Services Limited
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China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
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China Galaxy International Securities (Hong Kong) Co., Limited
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Legal Advisors to Our Company

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As to PRC Law:

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Dongcheng District
Beijing 100738, PRC

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18 Harbour Road
Wanchai, Hong Kong

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Sheung Wan
Hong Kong

Legal Advisors to the Sole Sponsor and the Underwriters

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As to PRC Law:

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Auditor and Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F
Prince's Building, Central
Hong Kong SAR
China

Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Unit 2401-02, Level 24 China World Office 2 1 Jianguomenwai Avenue Chaoyang District, Beijing 100004 China
Special Internal Control Consultant	**Protiviti Shanghai Co., Ltd.** Room 1915-16, Building 2 International Commerce Centre No. 288 South Shaanxi Road Xuhui District Shanghai, 200030, China
Receiving Banks	**China CITIC Bank International Limited** 61-65 Des Voeux Road Central Hong Kong **CMB Wing Lung Bank Limited** 1207-1209, 12/F, CMB Wing Lung Bank Centre 636 Nathan Road, Kowloon Hong Kong

Registered Office	P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters	No. 168 Shicheng Street Jinhua Industry Zone Zhejiang Province China
Principal Place of Business in Hong Kong	31/F., Tower Two Times Square, 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**www.luyuan.cn** *(Note: the information on this website does not form part of this prospectus)*
Joint Company Secretaries	**Ms. Chu Cheuk Ting (朱卓婷)** *(ACG, HKACG)* 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong **Mr. Chen Guosheng (陳郭勝)** Flat 202, Unit 3, Building C05 Dongfang Mingzhu Duohu Street Jindong District, Jinhua City Zhejiang Province, China
Authorized Representatives	**Mr. Ni Jie (倪捷)** No. 168 Shicheng Street Jinhua Industry Zone Zhejiang Province, China **Ms. Chu Cheuk Ting (朱卓婷)** *(ACG, HKACG)* 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

Audit Committee	Mr. Wu Xiaoya *(Chairman)* Mr. Liu Bobin Mr. Peng Haitao
Remuneration Committee	Mr. Liu Bobin *(Chairman)* Ms. Hu Jihong Mr. Wu Xiaoya
Nomination Committee	Mr. Liu Bobin *(Chairman)* Ms. Hu Jihong Mr. Wu Xiaoya
Strategic and Investment Committee	Mr. Ni Jie *(Chairman)* Ms. Hu Jihong Mr. Peng Haitao
The Cayman Islands Principal Share Registrar and Transfer Office	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Compliance Adviser	**Jun Hui International Finance Limited** Unit 1406, Office Plus 93-103 Wing Lok Street Sheung Wan, Hong Kong
Principal Bank	**Agricultural Bank of China Limited Jinhua Economic Development Zone Branch** No. 216, Bayi South Street Jinhua City Zhejiang Province, China

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other independent sources, and from the independent industry report prepared by Frost & Sullivan. We believe that the sources of such information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers or agents, or any other persons or parties involved in the Global Offering, and no representation is given as to the accuracy or completeness of such information and statistics.

SOURCE OF INFORMATION

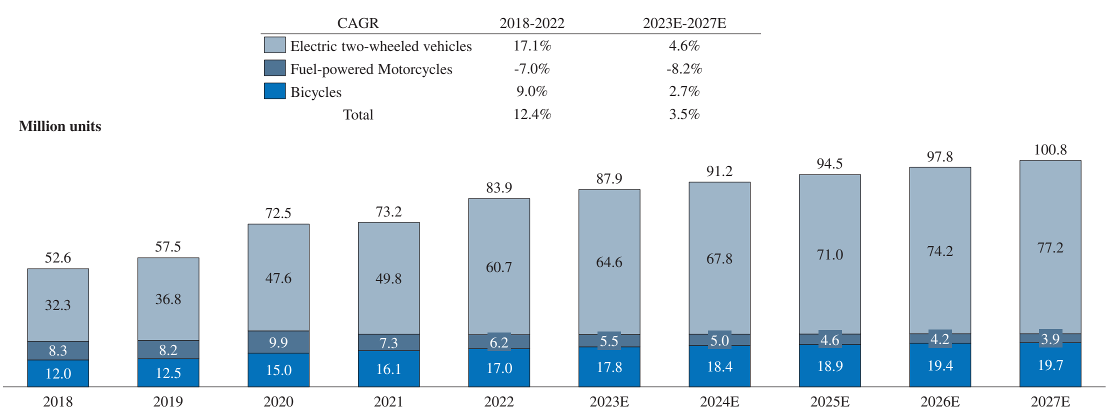
We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market consultancy services, to conduct a study of the electric two-wheeled vehicle market and electric two-wheeled vehicle service and shared mobility market. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. We agreed to pay Frost & Sullivan a fee of RMB900,000 for the preparation of the Frost & Sullivan Report. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no material adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database. The Frost & Sullivan Report was compiled based on the following assumptions: (i) mainland China's economy is likely to maintain steady growth in the next decade; (ii) mainland China's social, economic, and political environment is likely to remain stable from 2022 to 2026; and (iii) increasing needs of electric two-wheeled vehicles are likely to drive the future growth of the industry. The impact of COVID-19 has been incorporated in the assumptions.

OVERVIEW OF THE TWO-WHEELED VEHICLE MARKET

Based on power types, two-wheeled vehicles can be generally segmented into three types: (i) bicycles which solely rely on rider's physical effort for propulsion, (ii) electric two-wheeled vehicles which either combine electric power and human power or solely rely on electric power, and (iii) fuel-powered motorcycles powered by internal combustion engines fueled by gasoline or diesel. In recent years, the global and mainland China transportation sector has witnessed a paradigm shift towards sustainable and eco-friendly mobility solutions. As part of this transition, electric two-wheeled vehicles have emerged as a promising alternative to traditional fuel-powered motorcycles. Increasing environmental regulations and policies may lead to a shift in consumer preferences towards electric two-wheeled vehicles, which have lower or zero emissions and are considered more eco-friendly. As a result, electric two-wheeled vehicles are likely to keep penetrating into the market share of fuel-powered motorcycles. In 2022, total sales volume of two-wheeled vehicles reached to 83.9 million units, representing a CAGR of 12.4% from 2018 to 2022, among which the electric two-wheeled vehicles accounted for 72.3% share. Going forward, driven by favorable policies especially the emission regulations, the growth of electric two-wheeled vehicles will outpace the total two-wheeled vehicle market in mainland China, and account for 76.6% market share in 2027.

Two-wheeled Vehicle Sales Volume, Breakdown by Power Types, Mainland China, 2018-2027E



Source: China Bicycle Association, China Chamber of Commerce for Motorcycle, CAAM, Frost & Sullivan

OVERVIEW OF THE ELECTRIC TWO-WHEELED VEHICLE MARKET

Definitions and Classifications of Electric Two-wheeled Vehicles

In mainland China, electric two-wheeled vehicles are generally divided into three categories, namely, electric bicycles, electric mopeds and electric motorcycles. Electric bicycles usually retain the riding function and are comparatively light and portable. They usually resemble the look of an ordinary bicycle coated by fewer plastic parts and exposed with more vehicle frame. The battery is typically placed behind the pedal or the seat. The appearance of an electric moped is closer to that of a motorcycle, with more plastic parts coated and less vehicle frame exposed. As compared to electric bicycles, electric mopeds have larger motor power, longer driving range, and larger loading capacity. Electric motorcycles have similar appearance to that of electric mopeds, with plastic parts coating most parts of the vehicle body. Among the three categories of electric two-wheeled vehicles, electric motorcycles generally have the largest motor power and loading capacity. Electric motorcycles also have comparatively stronger braking system, and better performance overall. Specific qualification and permission are needed to produce electric mopeds and electric motorcycles. The table below sets forth the parameters and basic information of electric bicycles, electric mopeds and electric motorcycles:

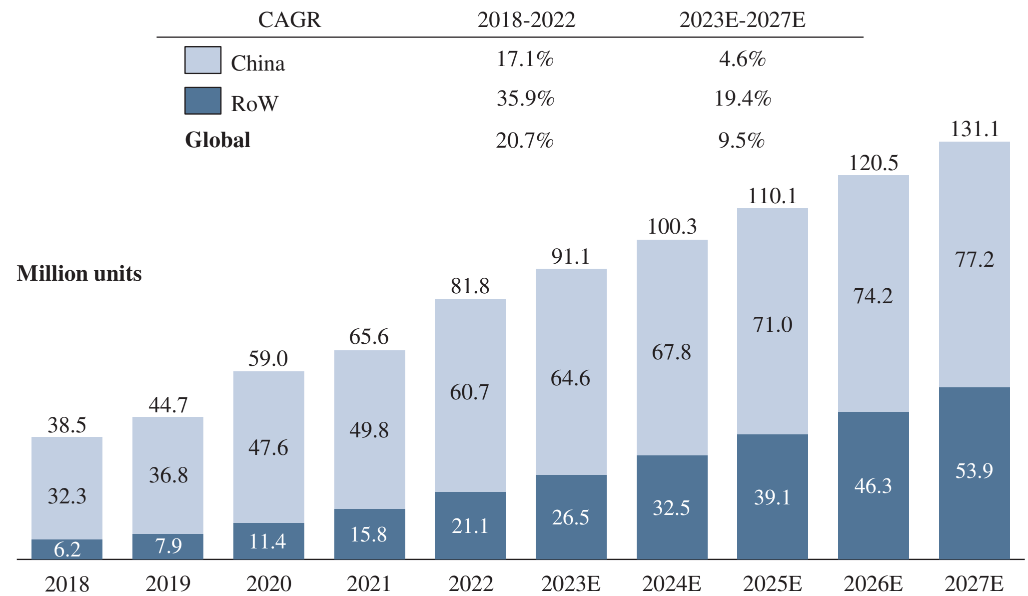
	Electric bicycles	**Electric mopeds**	**Electric motorcycles**
National Standard	GB17761-2018	GB/T24158-2018	GB/T24158-2018
Production Qualification	No requirement	Required	Required
CCC Certification	Required	Required	Required
Motor Power	≤400W	400W-4kW (non-compulsory)	>4kW (non-compulsory)
Battery	≤48V	No requirement	No requirement
Top Speed	≤25km/h	≤50km/h	>50km/h
Curb Weight	≤55kg	No requirement	No requirement
Carriage of people	One child under twelve depending on region	Prohibited	One person
Driver's License	No requirement	D, E, F license	D, E License
Average Retail Price for 2022 (RMB thousand)	1.60	2.73	3.82

Source: Frost & Sullivan

Overview of the Global Electric Two-wheeled Vehicles Market

Sales of electric two-wheeled vehicles have grown rapidly in major global economies over the past five years, driven by emission reduction policies and the advancement of electric motor and battery technologies. Among which, mainland China is the most attractive market for electric two-wheeled vehicles with its total sales volume accounting for 74.3% of the global total sales volume in 2022. The global total sales of electric two-wheeled vehicles increased from 38.5 million units in 2018 to 74.0 million units in 2022 with a CAGR of 20.7%. In the future, major global economies are expected to put forward more stringent emission reduction policies, promoting the wider adoption of green mobilities and higher replacement ratio of traditional motorcycles. As a result, the global total sales of electric two-wheeled vehicles are expected to reach 131.1 million units in 2027 with a CAGR of 9.5% from 2023 to 2027. The following diagram illustrates the global market size of electric two-wheeled vehicles by region.

Market Size of Electric Two-wheeled Vehicles, Global, 2018-2027E

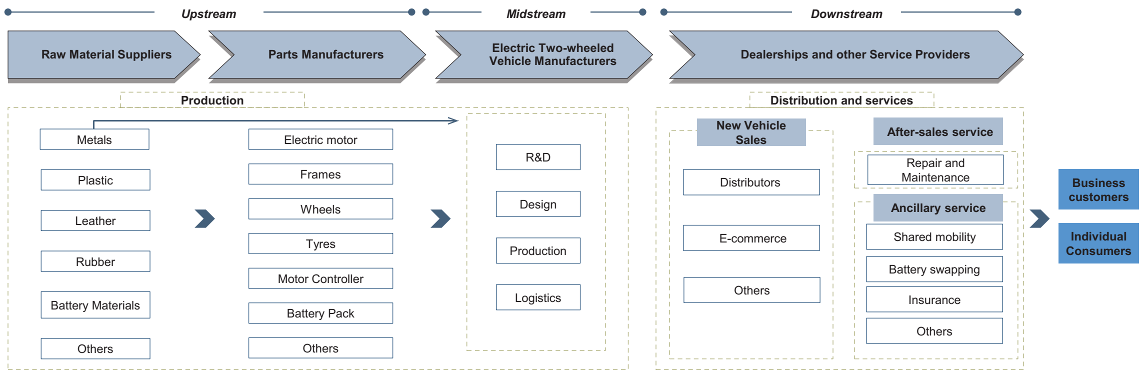


Source: Society of Manufacturers of Electric Vehicles, National Bicycle Dealers Association, Confederation of the European Bicycle Industry, The European Association of Motorcycle Manufacturers, Frost & Sullivan

Overview of the Electric Two-wheeled Vehicles Market in Mainland China

Since the passing of the New National Standards in 2019 which promoted the development of the market in the direction of standardized production and safe riding, the electric two-wheeled vehicles market in mainland China is currently in the upgrade and transformation stage. This stage is also characterized by the wider application of connectivity and smart functions which promoted the extension of the value chain and emergence of new business models such as shared mobility and value-added entertainment services. The increasing penetration rate of lithium-ion battery powered electric two-wheeled vehicles and the development of battery swapping services in this stage are expected to further improve user experience.

Participants in the value chain of electric two-wheeled vehicle in mainland China consist of raw material suppliers, parts manufacturers, electric two-wheeled vehicle manufacturers, distributors and customer service providers. Midstream manufacturers are impacted by price fluctuations of raw materials and parts as well as downstream demand and market preference. The following diagram illustrates the value chain of mainland China's electric two-wheeled vehicle market.



Mainland China's electric two-wheeled vehicle industry had been in its mature stage for many years from 2013 to 2019 which was characterized by slower growth, higher market concentration and initial emergence of food delivery, e-commerce and on-demand delivery and smart technologies. Nevertheless, total sales volume of two-wheeled vehicles in mainland China increased from 32.3 million units in 2018 to 60.7 million units in 2022, representing a CAGR of 17.1%, as the passing of the New National Standards in 2019 promoted the phase-out of disqualified vehicles and stimulated enormous replacement demand and marked the commencement of the upgrade and transformation stage.

Pursuant to the New National Standards, electric two-wheeled vehicles that did not meet the New National Standards and was purchased before April 15, 2019 will be subject to a transition period of approximately 5 years. After the transition period, electric two-wheeled vehicles that do not meet the requirements of the New National Standards will be prohibited on road. Tier 1 and 2 cities such as Beijing, Hangzhou, and Lanzhou offered a 3-year transitional period, but other cities such as Wuxi, Tianjin, and Nanning offered a 5-year transitional period, aiming to avoid unnecessary waste of resources caused by early retirement of electric two-wheeled vehicles that do not meet the requirement of the New National Standards.

Beyond the implementation of the New National Standards and favorable policies, developing platform economy and smart technologies are also major driving factors in mainland China's electric two-wheeled vehicle market. The prosperity of urban retailing and online shopping has generated strong demand for on-demand delivery service, where electric two-wheeled vehicles are widely used by, for example, courier and delivery service providers, due to efficiency and flexibility. Additionally, the application of new technologies such as AI and connectivity can realize new functions or features such as real-time location, navigation, smart battery management systems and security functions, which will boost the performance of electric two-wheeled vehicles and attract more customers from younger generations. As a result, with the New National Standards playing a key role in driving the large-scale demand for replacement and upgrading of electric two-wheeled vehicles in mainland China since April 2019 coupled with these factors, the sales volume of electric two-wheeled vehicles in mainland China in 2022 reached 60.7 million units with a high CAGR of 17.1% as compared to that in 2018 and mainland China achieved status as the largest electric two-wheeled vehicle market in the world.

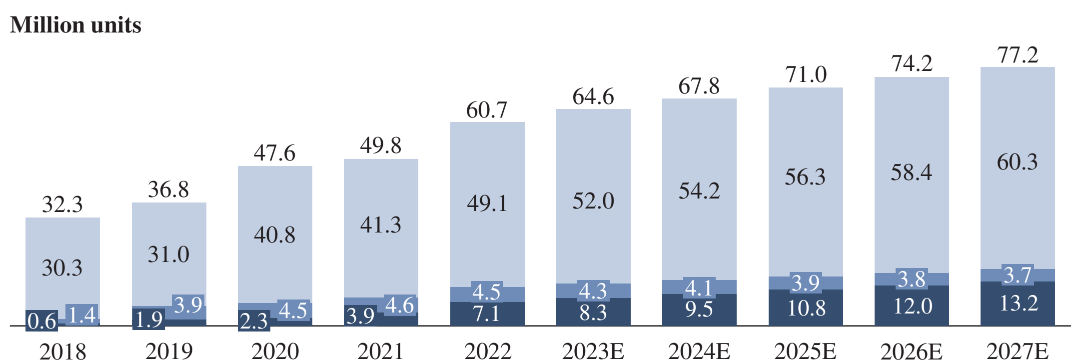
However, large-scale vehicle replacement needs could decrease after the New National Standards has been fully implemented, and as the market matures and evolves, signs of a slowdown are becoming apparent. With the expanding customer base from both business side and individual consumer side, total sales volume of electric two-wheeled vehicles market in mainland China is expected to reach 77.2 million units in 2027, albeit with a contrastingly lower CAGR of 4.6% from that in 2023.

Nevertheless, while it should be noted that the growth rate of 4.6% in the forecast period is contrastingly lower than 17.1% in the historical period, due in part to the high base of mainland China's electric two-wheeled vehicle market size, the overall scale and the market space of mainland China's electric two-wheeled vehicle market remain considerable. On the other hand, under the impetus of the New National Standards, the electric two-wheeled vehicle market will turn into benign competition focusing on product quality and brand power. Small and medium-sized manufacturers without strong research and development capabilities and manufacturing and sales network capabilities will be gradually eliminated. Leading companies will gain more obvious competitive advantages by virtue of their own strength.

The following diagram illustrates the market size of electric two-wheeled vehicles of mainland China.

Electric Two-wheeled Vehicle Sales Volume, Mainland China, 2018-2027E

CAGR	2018~2022	2023E-2027E
Electric Bicycle	12.8%	3.8%
Electric Moped	33.9%	-3.5%
Electric Motorcycle	85.5%	12.3%
Total	**17.1%**	**4.6%**



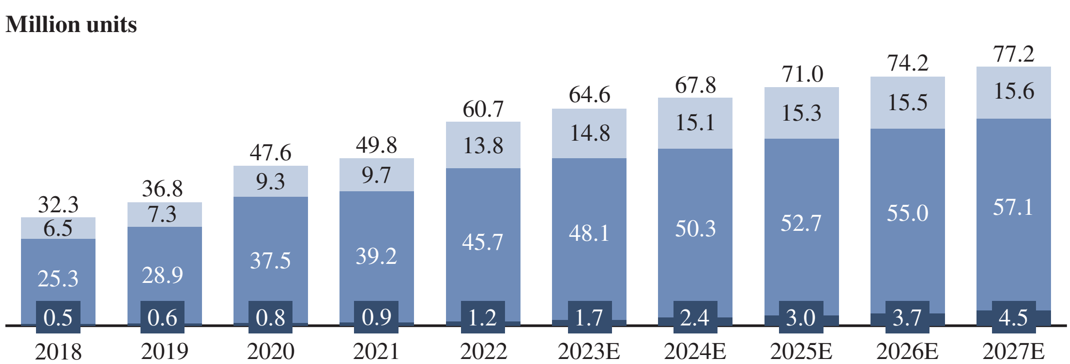
Source: China Bicycle Association, China Chamber of Commerce for Motorcycle, CAAM, Frost & Sullivan

Mainland China's electric two-wheeled vehicle market is highly concentrated with top nine manufacturers accounting for over 80% market share. As such, it is expected that leading players such as our Group is more likely to benefit from the total market growth of the industry and are better positioned to take advantage of industry upgrade, specifically, the stronger growth of the premium segment described below. Electric two-wheeled vehicles can be divided into entry level, medium level and premium level based on manufacturer suggested retail price

("**MSRP**"). Entry level mostly comprise electric bicycles with only basic functions, small battery, relatively short driving range and very limited or no AI or connectivity features. Medium level electric two-wheeled vehicles take up the largest share of this market and covers all three types of electric two-wheeled vehicles. Premium electric two-wheeled vehicles segment is an emerging segment in mainland China, and mainly contains electric motorcycles and a small share of electric mopeds and electric bicycles. Premium vehicles usually have better performance such as larger motor power, larger lithium-ion battery with longer driving range and are also typically equipped with more advanced AI and connectivity features.

Electric Two-wheeled Vehicle Sales Volume, Breakdown by Market Positioning, Mainland China, 2018-2027E

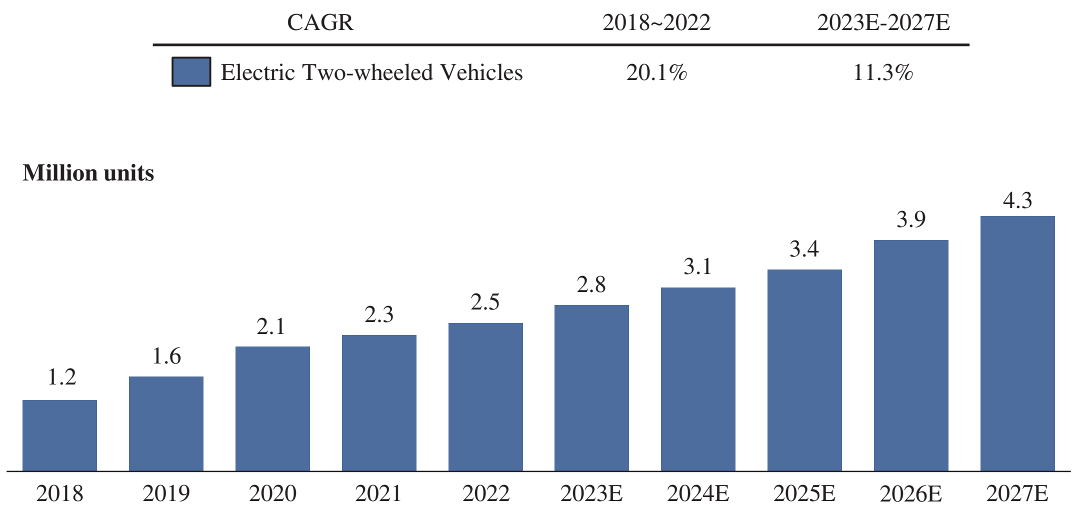
CAGR	2018~2022	2023E-2027E
Entry (MSRP<RMB1,500)	20.7%	1.3%
Medium (RMB1,500≤MSRP<RMB3,500)	15.9%	4.4%
Premium (MSRP≥RMB3,500)	24.5%	27.6%
Total	17.1%	4.6%



Source: *China Bicycle Association, China Chamber of Commerce for Motorcycle, China Association of Automobile Manufacturers, Frost & Sullivan*

China is the largest production country of electric two-wheeled vehicles in the world. Apart from domestic sales, a significant share of vehicles produced in mainland China is exported to overseas markets, such as Europe and ASEAN. From 2018 to 2022, mainland China's export volume of electric two-wheeled vehicles increased from 1.2 million units to 2.5 million units, representing a CAGR of 20.1%. Going forward, driven by carbon neutral strategies and green mobility policies in overseas markets such as Europe, ASEAN and India, the phase-out of traditional motorcycle is expected to accelerate while the demand for electric two-wheeled vehicles will continue to grow. Moreover, social distancing policies in relation to the COVID-19 pandemic across the globe have helped foster habits of using electric-wheeled vehicles. Furthermore, the on-demand delivery market developed quickly in many regions especially in ASEAN and India, which will also stimulate the demand for electric two-wheeled vehicles. According to Frost & Sullivan, the total export volume of electric two-wheeled vehicles is expected to increase from 2.8 million units in 2023 to 4.3 million units in 2027, representing a double-digit CAGR of 11.3%.

Electric Two-wheeled Vehicle Export Volume, Mainland China, 2018-2027E



Source: General Administration of Customs, Frost & Sullivan

KEY DEVELOPMENT DRIVERS AND MARKET OPPORTUNITIES

Favorable policies: To achieve the peak of carbon dioxide emissions and carbon neutrality in the next 40 years is a major strategic decision taken by the PRC government, and it has implemented a series of policies to support or regulate the healthy and rapid development of green mobility, including the electric two-wheeled vehicle industry. For example, in 2018 the PRC government issued a series of new national standards, including the New National Standards and General Specifications for Electric Motorcycles and Mopeds, to formally and clearly establish the industry and product standards for electric two-wheeled vehicles, which significantly improved the standardization and safety level of electric-two wheeled vehicles. In the short term, such new national standards are expected to stimulate the replacement demand from consumers who owned unqualified old electronic two-wheeled vehicles. Currently, the implementation of the new national standards is still ununified across many regions, and there remains unsatisfied replacement demand in some regions. In the mid- to long-term, the new national standards will promote the transformation and upgrade of the electric two-wheeled vehicle industry in mainland China with the introduction of new electric two-wheeled vehicles with better performance, better design and more safety functions, which will attract more potential consumers, especially younger generation consumers.

Continuous urbanization process and expanding urban area: Urban population has been increasing rapidly and urban area has been expanding quickly nationwide, indicating an increasing demand for last-mile mobility from urban residents. People will likely turn to transportation tools with effective and convenient mobility, such as electric two-wheeled vehicle. The increasing urban population as well as upgrading consumption structure both provide a larger potential consumer base while the expanding urban area creates more actual consumer demand for electric two-wheeled vehicles.

Rapid development of on-demand delivery market: Urbanization process and increasing household income drive the prosperity of urban retailing and online catering and shopping, which generate enormous demand for on-demand last-mile delivery, where electric two-wheeled vehicles are the most widely used transportation tools due to efficiency and flexibility. Going forward, along with the continuous growth of e-commerce and online catering and shopping industry, market demand for on-demand delivery will have strong growth momentum and stimulate the demand for electric two-wheeled vehicles.

Developing shared mobility market: Shared economy has penetrated into many sub-sectors of the mobility market, including shared bikes and shared electric two-wheeled vehicles. Many New Tier 1 cities and Tier 2 cities, such as Changsha, Kunming and Ningbo, have issued favorable policies to encourage the deployment of shared electric two-wheeled vehicles. Leading shared mobility companies are also increasing their operation scales across mainland China. Positive factors from both regulatory and market participants sides will drive the continuous growth and upgrade of the electric two-wheeled vehicle market in mainland China. According to Frost & Sullivan, the market size of electric two-wheeled vehicle shared mobility in mainland China increased from RMB2.1 billion in 2018 to RMB17.2 billion in 2022, representing a CAGR of 69.2%, and is expected to further increase from RMB20.7 billion in 2023 to RMB30.2 billion in 2027, albeit with a contrastingly lower CAGR of 9.9%.

Development of new technologies: New technologies, especially AI and connectivity, have realized great progress in recent years and also have been applied in multiple industries. Among which, electric two-wheeled vehicle market is one of the important industries which can be combined with AI and connectivity and realize new functions or features such as real-time location, navigation, smart battery management systems and security functions to increase product performance, improve user experience, create new market opportunities and also promote the upgrade and transformation of this industry.

Continuous development of battery swapping and improvement of charging infrastructure: Battery swapping or battery-as-a-service allows electric two-wheeled vehicle owners to conveniently replace the discharged batteries with charged ones at swap stations, which is more efficient and time-saving as compared to charging and allows longer traveling distance. The implementation of new national standards in mainland China has also promoted the application of lithium-ion battery, which laid the foundation for the development of battery swapping business. Meanwhile, users, especially those in on-demand delivery industry who have strict requirement for stronger batteries, are strongly motivated to use such service to improve delivery efficiency. From 2018 to 2022, the market size of electric two-wheeled vehicle battery swapping service in mainland China grew rapidly from RMB0.1 billion to RMB4.2 billion. With the continuous standardization of electric two-wheeled vehicles, wider adoption of lithium-ion battery and expanding scale of battery swapping stations driven by governmental and private sector investments and favorable policies, this market is expected to create further incentive for consumers to widely use electric two-wheeled vehicles and experience rapid growth in the future, reaching RMB35.2 billion in 2027, representing a CAGR of 40.6% since 2023.

Development of regulations and supervisions and analysis of legal risks: The electric two-wheeled vehicle industry experience a boost by the early development of shared economy and shared mobility from 2016 to early 2017 when dozens of shared mobility companies emerged due to the lack of regulations and supervision followed by a stage of strict regulations and supervisions from April 2017 to April 2019, during which certain major cities forced major shared mobility players to cease operation and electric two-wheeled vehicle shared mobility was not supported. Since April 2019, the implementation of New National Standards and other national standards significantly promoted the standardization level and safety performance of products, and will also promote the healthy development of this industry. It is estimated that, for complying manufacturers, common legal risks in the industry such as being involved in fire or traffic accidents will gradually decrease in the post-New National Standards era. Set forth below are certain aspects of the new national standards that contribute such decrease:

– *Overall performance improvement.* The new national standards have raised the upper limits in many aspects including speed, weight and motor capacity, which better satisfy demands of consumers, reducing their need to alter the vehicles and making it less likely for traffic control departments and courts to view electric bicycles as motor vehicles and find manufacturers liable for non-conformity;

– *Mandatory anti-alteration designs*. Article 7.2.1.3 puts forward various requirements for hardware and software anti-alteration requirements reducing the possibility of consumers and distributors altering the vehicle;

– *Clear classification of electric bicycles, electric mopeds and electric motorcycles.* Clearer classification of different vehicle types makes it harder for traffic control departments and courts to view electric bicycles as motor vehicles and find manufacturers liable for non-conformity;

– *Stricter registration (for non-motor vehicles) and license plate (for motor vehicles) requirements.* Registration record or license plate serves as proof that the vehicle conforms with the national standards at the time of sale and therefore is strong evidence of product conformity in relevant legal proceedings; and

– *Enhanced requirements for ex-factory certificate.* Since April 2019, it became mandatory for electric bicycles to obtain CCC certificates before entering the market. In addition, since April 2020, before a new electric bicycle, moped or motorcycle vehicle model enters the market, the manufacturer must deliver the vehicle to a designated testing agency for its inspection and issuance of an inspection report before obtaining CCC certificate from the China Quality Certification Center. As compared with old national standards which only required an ex-factory quality certificate and no mandatory inspection report in many regions, enhanced requirements for ex-factory certificates (a) help mitigate risks of product quality issues before a vehicle enters the market and (b) serve as proof of product quality and conformity in relevant legal proceedings.

Impacts of the COVID-19 pandemic on the electric two-wheeled vehicle market: The COVID-19 pandemic had impacts on the electric two-wheeled vehicle market in different ways. On demand side, the COVID-19 impact is not entirely negative on the electric two-wheeled vehicle market as it benefits certain segments such as online food service and on-demand delivery, of which the demand for electric two-wheeled vehicles grew significantly due to its convenience in last-mile express and on-demand small goods delivery. On personal mobility side, people also embraced electric two-wheeled vehicles on a growing scale to avoid infection risks of public transport. Nevertheless, on supply side, large-scale lockdown may have adverse impact on the production of electric two-wheeled vehicles due to the shut-down of manufacturing facilities or supply chain's operation.

Starting from December 2022, most of the travel restrictions and quarantine requirements in China were lifted. As the economy recovers from the COVID-19 pandemic, China's electric two-wheeled market is expected to maintain its strong growth momentum driven by the recovering consumption demand and restored supply chain.

COMPETITIVE LANDSCAPE

Competitive Landscape of Electric Two-wheeled Vehicle Market in Mainland China

The electric two-wheeled vehicle market in mainland China is highly concentrated. While at its peak, mainland China had around 2,000 electric two-wheeled vehicle manufacturers, the number fell to only around 100 as of 2022 that could meet the requirements of the New National Standards and are qualified to manufacture electric motorcycles and electric mopeds. As of December 31, 2022, the top nine manufacturers have taken up approximately 80.8% of the market share. The Group ranked fifth in terms of total revenue in 2022, accounting for 4.2% of the market share of the electric two-wheeled vehicle market in mainland China.

Ranking	Company	Introduction	Total Revenue (RMB Billion)	Market share (%)
1	Yadea	Founded in 2001, Yadea is a Hong Kong listed, Jiangsu based electric two-wheeled vehicle manufacturer, products include electric motorcycles, electric mopeds, electric bicycles and electric kick scooters	31.1	26.9%
2	Aima	Founded in 1999, Aima is an SSE listed, Tianjin based electric two-wheeled vehicle manufacturer	20.8	18.0%
3	A	Founded in 2004, Company A is a Shenzhen based electric two-wheeled vehicle manufacturer	17.0	14.7%
4	SUNRA	Founded in 1999, SUNRA is an SSE listed, Jiangsu based electric two-wheeled vehicle manufacturer	4.9	4.2%
5	**The Group**	**Founded in 2003, The Group is a Zhejiang based electric two-wheeled vehicle manufacturer**	4.8	4.2%
6	B	Founded in 2004, Company B is a Jiangsu based electric two-wheeled vehicle manufacturer	4.6	4.0%
7	C	Founded in 2012, Company C is a Jiangsu based electric two-wheeled vehicle manufacturer	3.5	3.0%
8	D	Founded in 2003, Company D is a Zhejiang based electric two-wheeled vehicle manufacturer	3.4	2.9%
9	NIU Technologies	Founded in 2014, NIU Technologies is a NASDAQ listed electric two-wheeled vehicle manufacturer	3.1	2.7%
		Others	22.2	19.2%
		Total	**115.4**	**100.0%**

Note: The identity of peer company is presented in code name as the revenue of the private company used in the above ranking is non-public information, which was estimated based on Frost & Sullivan's primary interviews and calculations. As we have not acquired consent from the company, unauthorized disclosure may cause potential disputes.

Source: Frost & Sullivan

As most small sized regional electric two-wheeled vehicle manufacturers in China, which are less competitive, have been eliminated due to the implementation of the New National Standard since 2019, more established manufacturers who usually have stronger R&D and manufacturing capabilities are driving the upgrade of electric two-wheeled vehicle industry in China, by actively promoting the application of advanced new technologies such as lithium-ion battery, AI and connectivity. Currently, there are around 100 electric two-wheeled vehicle manufacturers in China, and the top nine manufacturers are clearly positioned as medium-to-high end brand and their product price are higher than industry average.

Market Overview and Competitive Landscape of Electric Two-Wheeled Vehicle Markets in ASEAN, India, Europe and the U.S.

With a good two-wheeled vehicle mobility culture, ASEAN countries are encouraging consumers to trade in motorcycles for electric two-wheeled vehicles to address environmental problems. Thailand and Vietnam have both issued restrictions on motorcycles and favorable policies for electric two-wheeled vehicles. E-commerce and online food service industries have also experienced substantial development during the past several years. Total sales volume of electric two-wheeled in ASEAN countries reached 6.9 million units in 2022, representing a CAGR of 26.4% from 2018, and is projected to reach 11.2 million units in 2027, representing a CAGR of 9.9% from 2023.

To realize carbon emission target and avoid risk of fossil energy shortage, the Indian government has issued a series of favorable policies to encourage electric vehicles and has even announced to make India a 100% electric-vehicle nation by 2030, including a proposal that two-wheeled vehicles below the engine capacity of 150cc sold in the country after March 31, 2025 should be electric. Additionally, the improvement of power facilities has alleviated the problem of charging of electric two-wheeled vehicles. In 2027, it is expected that the total sales volume of electric two-wheeled vehicle in India will reach 6.5 million units, representing a CAGR of 46.8% from 2023.

In Europe, the electric two-wheeled vehicle market is currently dominated by Electrically Power Assisted Cycles ("EPAC Bicycles") followed by electric motorcycles. Promoted by bicycle culture, upgrading emission standards and people's high awareness of environmental protection, the total sales volume of electric two-wheeled vehicles in Europe reached 7.9 million units in 2022, representing a CAGR of 29.8% from 2018, and is projected to reach 19.9 million units in 2027, representing a CAGR of 19.4% from 2023.

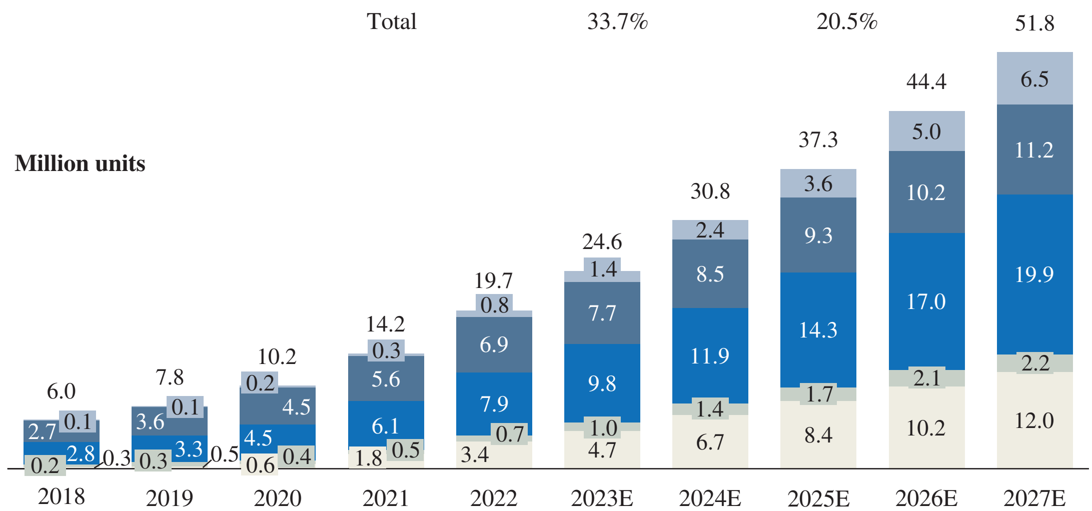
Similar to Europe, EPAC bicycle and electric motorcycles are also dominating the U.S. market. The market size of electric two-wheeled vehicle in the U.S. reached 0.7 million units in 2022, representing a CAGR of 37.7% from 2018, and is expected to reach 2.2 million units in 2027, representing a CAGR of 22.9% from 2023.

In general, competition in the electric two-wheeled vehicle markets in ASEAN, India, Europe and the U.S., are all very fragmented with numerous small manufacturers and no outstanding leading brand at the current stage. In recent years, leveraging strong production and product development capabilities many leading PRC brands are actively increasing presence in these overseas regions.

The following diagram illustrates the overseas market size of electric two-wheeled vehicles by region.

Electric Two-wheeled Vehicle Sales Volume, Breakdown by Region (excl. Mainland China), 2018-2027E

CAGR	2018-2022	2023E-2027E
India	100.0%	46.8%
ASEAN	26.4%	9.9%
Europe	29.8%	19.4%
U.S.	37.7%	22.9%
Rest of the world	80.1%	20.7%
Total	33.7%	20.5%



Source: Society of Manufacturers of Electric Vehicles, National Bicycle Dealers Association, Confederation of the European Bicycle Industry, The European Association of Motorcycle Manufacturers, Frost & Sullivan

ENTRY BARRIERS AND KEY SUCCESS FACTORS

Strict regulation and higher compulsory technical requirement: The newly implemented national standards has significantly raised technical requirements for electric two-wheeled vehicles, including fireproof, flame resistance performance and charger protection, and has also set strict requirements on speed, curb weight, power and battery, etc. Such new standards largely increased the industry barriers for technology, manufacturing and quality control. Small and medium manufacturers with limited resources and capabilities to satisfy such requirements are expected to be eliminated gradually.

Development and application of new technology: Technology plays an important role in the increasingly fierce competition of the electric two-wheeled vehicle industry in mainland China. Players in the industry have to develop extensive technology layouts in various areas such as infotainment, more efficient battery management systems, lithium-ion battery and more advanced electric motors to realize better performance on driving mileage, safety and power saving, and to establish first-mover advantages. Development and application of new technologies require extensive and long-term investment as well as decades of technology accumulation, which sets a high barrier for new entrants and small players.

Early-mover advantage: The electric two-wheeled vehicle market in mainland China started in late 1990s. Early movers that have technological know-how enjoyed the opportunity to deeply engage in the formation of national or industry standards, which helped further strengthen their leading position in technology innovation. Additionally, years of continuous investment in research and development, production facility construction and distribution network expansion had enabled the early movers to accumulate substantial technologies, management and operation experience, large and loyal customer base, and brand recognition and reputation.

Extensive and unremitting capital investment: Construction of production facilities, procurement of production equipment, and repair and maintenance of equipment will incur substantial capital investment as well. Furthermore, manufacturers may have to invest additional capital in smart factory solution containing software, such as cloud computing, and hardware, such as smart sensors, to increase production efficiency. Players who do not have the capabilities to maintain large scale and continuous investment are almost impossible to realize technology advancement and improve production efficiency.

Brand recognition and consumer mindshare: Some consumers do not realize product differences such as performance parameters among different brands, especially in friendly and steady road conditions. Under such circumstances, brand recognition and preference play important roles in consumers' decisions when purchasing electric two-wheeled vehicles. Famous brands with good reputation obtain higher market visibility and good word-of-mouth effect, which translates into revenue generated from existing customers and word-of-mouth referral for new customers.

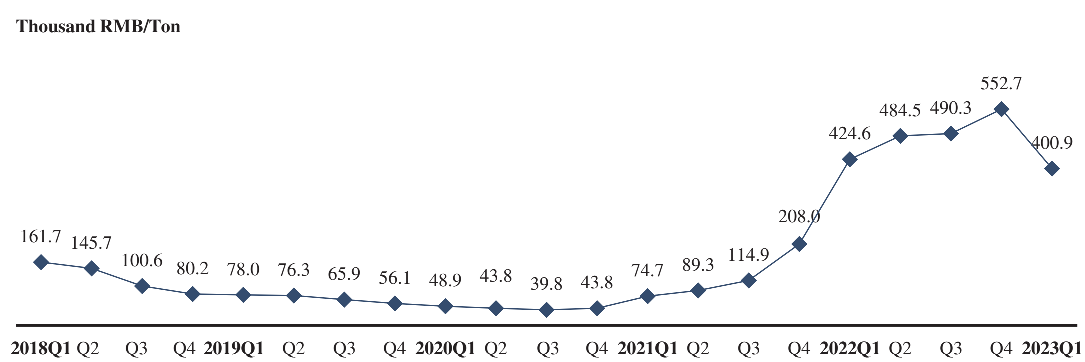
Wide coverage of distribution networks: As electric two-wheeled vehicles are widely used in lower tier cities and rural areas, widespread distribution networks are necessary to approach customers in such areas. Establishing and maintaining large and effective distribution networks require tremendous investment of time and resources, and mutual trust relationship between manufacturers and distributors. New market entrants may face difficulties in maintaining continuous and significant investments in building and maintaining distribution networks.

PRICE TREND OF KEY RAW MATERIALS

Price Trend of Li_2CO_3 (Battery Grade), Lead and Primary Aluminum (A00 Grade), 2017-2021

Battery grade Li_2CO_3 is the key raw material of producing lithium-ion batteries for electric two-wheeled vehicles, accounted for approximately 30% of the cost of lithium-ion battery cell. From the first quarter of 2018 to the third quarter of 2021, the quarterly average price of battery grade Li_2CO_3 ranged from RMB40 thousand per ton to RMB170 thousand per ton. Starting from the third quarter of 2021, the price of battery grade Li_2CO_3 experienced a significant increase and reached an average of RMB552.7 thousand per ton in the fourth quarter of 2022, which can be primarily due to the shortage of lithium supply and booming demand of lithium from both NEV and power storage sectors. Li_2CO_3 prices are currently returning to normal at a rapid pace, averaging RMB400.1 thousand per ton in the first quarter of 2023 and RMB245.0 thousand per ton on 31 March 2023. It is expected that Li_2CO_3 prices will remain at around RMB200 thousand to RMB300 thousand per ton during the forecast period.

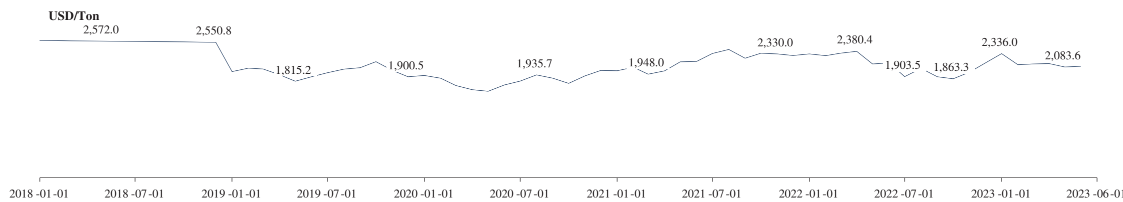
Quarterly Average Price of Li_2CO_3 (Battery Grade), 1Q2018 to 2Q2023



Source: China Non-Ferrous Metals Fabrication Industry Association, Frost & Sullivan

Lead is the key raw material of lead-acid batteries for electric two-wheeled vehicles, accounted for approximately 40% of lead-acid battery cell's cost. During the past 5 years, price of lead fluctuated but generally remain stable at USD1,800 per ton to USD2,600 per ton. As a key bulk raw material, lead is applied to various downstream industry verticals and the supply chain is stable. Therefore, it is expected that the price trend of lead in the future will be stable.

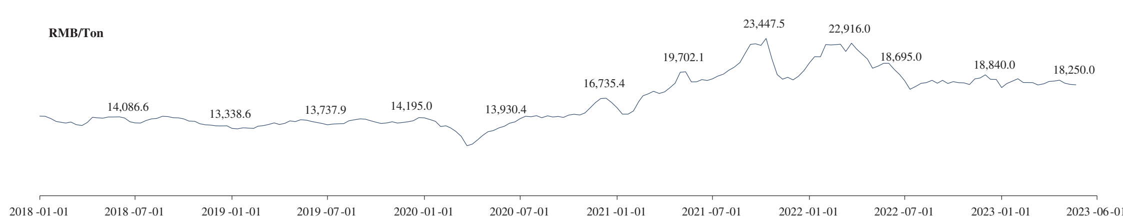
Monthly Average Price of Lead, Jan. 2018 to May 2023



Source: Trading Economics, World Bank, Frost & Sullivan

Primary aluminum is another key raw material of producing electric two-wheeled vehicles. From early 2018 to mid-2020, the price of primary aluminum was relatively stable. Starting from the second quarter of 2021, the price of primary aluminum increased quickly due to recovering macro economy and the monthly average price reached a high point to RMB23,447.5 per ton in October 2021. In the last two months of 2021, due to excessive aluminum inventory level, the price of primary aluminum experienced a short-term sharp decline, but the price returned to an upward trajectory due to increasing energy price and decreased production capacity of aluminum caused by COVID-19 pandemic. The price of primary aluminium is currently stable at around RMB18,000 per tonne. It is expected that the price of primary aluminium will remain between RMB15,000-20,000 per tonne during the forecast period.

Monthly Average Price of Primary Aluminum (A00 Grade), Jan. 2018 to May 2023



Source: National Bureau of Statistics of China, Frost & Sullivan

REGULATIONS RELATING TO COMPULSORY CERTIFICATION AND ADMISSION

On July 9, 2005, the State Council of the PRC promulgated the Regulation of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) (the "**Production License Regulations**"), which came into effect on September 1, 2005, latest revised on July 20, 2023 and came into effect on August 21, 2023. On April 21, 2014, the General Administration of Quality Supervision, Inspection and Quarantine (the "**AQSIQ**", currently known as the SAMR), issued the Measures for the Implementation of the Regulations of the PRC Administration of Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》) (the "**Production License Measures**"), which came into effect on August 1, 2014, latest revised by SAMR on September 29, 2022 and came into effect on November 1, 2022. According to the Production License Regulations and the Production License Measures, any enterprise that has not obtained a production license for a product listed in the Announcement of the Product Catalogue Implementing the Production Licensing System (2012) (《實行生產許可證制度管理的產品目錄(2012)》) (the "**Production Catalogue**"), which was issued by the AQSIQ on November 20, 2012, must not produce the relevant product. An enterprise must file an application to the provincial administration of quality and technology supervision for the license of producing the products listed in the Production Catalogue. According to the Production Catalogue, electric bicycle was industrial products that fell within the scope of Production License Regulations and Production License Measures. On June 24, 2017, the State Council issued the Decision on Adjusting the Catalogue for the Administration of Production Permits for Industrial Products and on Trying out the Simplification of Approval Procedures (《國務院關於調整工業產品生產許可證管理目錄和試行簡化審批程式的決定》), pursuant to this decision, the production license for electric bicycle was cancelled and was changed to implement mandatory product certification management. According to Announcement on the Issuance of Administrative Arrangements for the Transformation of Electric Bicycle Products from Licensing to Compulsory Product Certification (《關於發佈電動自行車產品由許可轉為實施強制性產品認證管理安排的公告》) by the SAMR and the National Standardization Management Committee on July 2, 2018, the transition period from production license management of electric bicycle to China Compulsory Certification management was from August 1, 2018 to April 14, 2019.

China Compulsory Certification

According to the Regulations on Certification and Accreditation of the PRC (《中華人民共和國認證認可條例》) which was promulgated by the State Council on 3 September 2003, latest revised on July 20, 2023 and came into effect on August 21, 2023, and the Regulations on the Administration of Compulsory Product Certification (Revised in 2022) (《強制性產品認證管理規定(2022修訂)》) which was promulgated by the AQSIQ on July 3, 2009 and implemented on September 1, 2009, latest revised by SAMR on September 29, 2022 and came into effect on November 1, 2022, products specified by the state shall not be delivered, sold, imported or used in other business activities until they are certified (the "**China Compulsory Certification**") and labelled with compulsory certification mark. For products that are subject to China Compulsory Certification, the State implements unified product catalogues, unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards. Producers, sellers and importers of the products listed in the catalogues shall entrust a certification body designated by the Certification and Accreditation Administration of the PRC to certify the products they produce, sell or import. If the certification requirements are met, the certification body shall issue a certificate to the client. The certificate is valid for 5 years and can be re-applied after the expiration of the validity period.

According to the Announcement of the State Administration for Market Regulation on Optimising the Catalogue of Products Subject to Compulsory Certification (《市場監管總局關於優化強制性產品認證目錄的公告》) published by the SAMR and implemented on April 21, 2020, products such as electric bicycles, electric moped and electric motorcycles are products subject to China Compulsory Certification.

Admission of Road Motor Vehicle

Pursuant to the Administrative Measures on Admission of Road Motor Vehicle Manufacturing Enterprises and Products (《道路機動車輛生產企業及產品准入管理辦法》) which was promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "**MIIT**") on November 27, 2018 and took into effect from June 1, 2019. The State implements categorized admission administration for enterprise manufacturing road motor vehicles and road motor vehicle products manufactured by them and used in mainland China. The road motor vehicle manufacturing enterprise may manufacture and sell the corresponding road motor vehicle products only upon obtaining admission approval. The road motor vehicle manufacturing enterprise shall continue to satisfy admission criteria.

Production Licenses for Electric Specialty Vehicles

In accordance with the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) which took effect on January 1, 2014 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) which came into effect on June 1, 2003, subsequently amended on January 24, 2009 and came into effect on May 1, 2009, "special equipment" refers to boilers, pressure vehicles (including gas cylinders), pressure pipelines, elevators, lifting appliances, yard (factory) special motor vehicles, passenger ropeways, and large amusements devices, which relate to the safety of human lives or having high risks. Without approval from the Bureau of Safety Supervision of Special Equipment (特種設備安全監察局), manufacturers of special equipment, including off-road use sightseeing vehicles, such as sightseeing vehicles for specialized motor vehicles for special indoor (plant) use, shall not carry out any production and assembly activities.

REGULATIONS RELATING TO PRODUCTION STANDARDS

According to the Standardization Law of the PRC (《中華人民共和國標準化法》) promulgated on December 29, 1988, which was last amended on November 4, 2017 and took effect on January 1, 2018, and the Implementation Rules for the Standardization Law of the PRC (《中華人民共和國標準化法實施條例》) promulgated with immediate effect on April 6, 1990, the national standards are divided into mandatory standards and recommended standards. Mandatory standards are standards that are formulated for the protection of human health, personal and property safety and standards that are legally enforceable pursuant to legal and administrative regulations, while other standards are recommended standards. Certain standards which apply to electric bicycles and electric motorcycles are mandatory standards.

The Safety Technical Specification for Electric Bicycle (GB17761-2018) (《電動自行車安全技術規範》(GB17761-2018)) (the "**New National Standards**"), promulgated on May 15, 2018 and took effect on April 15, 2019 which repealed the Electric Bicycles – General Technical Requirements (GB17761-1999) (《電動自行車通用技術條件》(GB17761-1999)), is the main national standards governing electric bicycles. According to the New National Standards, electric bicycles should meet the following requirements: (i) with the ability of pedal riding; (ii) with electric drive function and/or electric assistance function; (iii) when driving with electric drive, the maximum design speed does not exceed 25km/h, when driving with electric assistance and the top speed exceeds 25km/h, the electric motor shall not provide power output; (iv) the weight of the whole electric bicycle does not exceed 55kg; (v) the nominal voltage of the battery does not exceed 48V; and (vi) the rated continuous output power of the electric motor does not exceed 400W.

The Safety Specification for Electric Motorcycles and Electric Mopeds (GB24155-2020) (《電動摩托車和電動輕便摩托車安全要求》(GB24155-2020) promulgated on May 29, 2020 and took effect on January 1, 2021, which repealed the Electric motorcycles and electric mopeds – Safety specifications (GB24155-2009) (《電動摩托車和電動輕便摩托車安全要求》(GB24155-2009)), and the General Specifications for Electric Motorcycles and Electric Mopeds (GB/T24158-2018) (《電動摩托車和電動輕便摩托車通用技術條件》(GB/T24158-2018) promulgated on September 17, 2018 and took effect on April 1, 2019, which repealed the Electric motorcycles and electric mopeds – General specifications (GB/T24158-2009) (《電動摩托車和電動輕便摩托車通用技術條件》(GB/T24158-2009)), are the main national standards governing electric motorcycles and electric mopeds, specifically stipulate the speed, power and other technical and operational safety requirements.

REGULATIONS RELATING TO THE LICENSING OF AND ROAD USE BY ELECTRIC TWO-WHEELED VEHICLES

The Road Traffic Safety Law (《道路交通安全法》) was adopted on October 28, 2003 and came into effect on May 1, 2004. It was last amended and with immediate effect on April 29, 2021. The Road Traffic Safety Law distinguishes "non-motorized vehicles" from "motorized vehicles." According to Article 119 of the Road Traffic Safety Law, "non-motorized vehicles" refer to such means of transport as are driven or drawn by man or animals on roads, motor wheelchairs for the disabled and electrically operated bicycles which have power sets but the designed maximum speed per hour, the light quality and the external size of which are in conformity with the relevant mainland China standards for non-motorized vehicles. As such, the electric bicycles are categorized as "non-motorized vehicles", while the electric moped and electric motorcycles are "motorized vehicles." The Road Traffic Safety Law has different requirements for non-motorized vehicles and motorized vehicles, such as regards driver qualification (motorized vehicle drivers are required to have a driver's license, while drivers of non-motorized vehicles are not), driving requirements (motorized vehicles are required to be driven in road lanes, while non-motorized vehicles and pedestrians are required to use the sides of roads), and license plate requirements (motorized vehicles are acquired to have a license plate hung in a certain way in accordance with relevant regulations, while no such requirement is imposed on non-motorized vehicles).

Also, according to the Road Traffic Safety Law, the non-motorized vehicles that are required to register can be used on the roads only after registering with the government. In addition, the scope of such non-motorized vehicles shall be specified by local governments based on local conditions, and any non-motorized vehicles should meet the technical standards in terms of overall weight, braking performance, overall size and reflector and horn device.

The local governments in mainland China, including Beijing, Shanghai, Zhejiang, Shandong, etc., have promulgated rules and regulations (provisions) which, among other things, (i) require that the users and customers shall register their electric two-wheeled vehicles (generally referred to as "being licensed"); (ii) restrict or prohibit the sale and/or use of electric two-wheeled vehicles which fail to comply with the New National Standards or fail to obtain compulsory product certification for electric two-wheeled vehicles; and (iii) prohibit the riding of electric bicycles in prescribed districts. For instance, pursuant to the Administrative Provisions for Non-motorized Vehicles in Beijing (《北京市非機動車管理條例》), promulgated on September 28, 2018 and came into effect on November 1, 2018, electric two-wheeled vehicles shall be registered before used on the roads. Pursuant to the Regulations for Electric Bicycles in Zhejiang Province (《浙江省電動自行車管理條例》), promulgated on May 15, 2020 and took effect on July 1, 2020, electric bicycles within the administrative region shall be registered, and, according to the relevant requirements, each electric bicycles shall obtain the license plates, which shall be hung in the specified location. Pursuant to the Safety Administrative Provisions for Non-motorized Vehicles in Shanghai (《上海市非機動車安全管理條例》), promulgated on February 26, 2021 and came into effect on May 1, 2021, no electric bicycle without compulsory product certification shall be sold or registered and only the ones registered by the municipal authorities of Public Security shall be used on the roads. Pursuant to the Administrative Measures for Electric Bicycles in Shandong Province (《山東省電動自行車管理辦法》), promulgated on March 14, 2022 and took effect on May 1, 2022, sale of electric bicycles which fail to comply with the New National Standards or fail to obtain the compulsory product certification shall be prohibited, and electric two-wheeled vehicles shall be registered by their end-users.

REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

Product Quality

The principal law governing product quality is the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was issued by the Standing Committee of the National People's Congress (the "**SCNPC**") on February 22, 1993, last revised and became effective on December 29, 2018. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of mainland China, and the producers and sellers shall be responsible for product quality in accordance with the Product Quality Law. The seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties designated for use, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as displayed on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses. After a seller has taken responsibility for compensation or losses, where the liability falls on the producer or any other seller which provides the product to the seller, the seller shall have the right to recover the compensation from the producer or the other seller.

Pursuant to the PRC Civil Code, producers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the producer or the seller of the relevant product in which the defects have caused damage.

Consumer Protection

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and receive services. All business operators must comply with this law when they produce or sell goods and/or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations. Where a business operator has discovered a defect in its goods or services provided which may harm personal safety or property security, it shall forthwith report to the relevant administrative authorities and notify consumers, and adopt measures such as suspension of selling, alert, recall, decontamination, destruction, suspension of manufacturing or services. Where recall measures are adopted, the business operator shall bear the requisite expenses incurred by consumers as a result of recall of goods. Where the goods or services provided by a business operator do not satisfy quality requirements, the consumer may require the business operator to perform replacement or repair obligations, in accordance with the agreement on return of goods between the parties concerned or pursuant to the provisions of the State. Where there is no relevant provisions by the State and agreement between the parties concerned, the consumer may return the goods within seven days from the date of receipt of the goods; where the criteria for statutory rescission of contract are satisfied after the seven-day period, the consumer may return the goods timely, where the criteria for statutory rescission of contract are not satisfied, the consumer may require the business operator to perform replacement or repair obligations,and the business operator shall bear the requisite transportation expenses under aforesaid situations.

Also, according to the Regulations on the Administration of Compulsory Product Certification (2009), once the producer or seller of a product included in the catalogue discovers any potential safety problems with the product they manufactured or sold may cause damage to human health and safety, the producer or seller shall, make public the relevant information, take the initiative to adopt remedy measures including recalling the product, and report the case to concern supervision and administration authorities in accordance with relevant provisions.

REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which took effect on November 1, 2002 and was amended on June 10, 2021, units engaged in manufacturing business activities shall conform to the national or industry standards formulated for the protection of production safety, and shall meet the criteria for production safety as stipulated in the legal and administrative regulations and in the national or industry standards. Enterprises shall take necessary measures to set up and maintain proper equipment, monitor production safety procedures, designate specific personnel, conduct on-site training and take all other measures required by law to ensure the safety of employees and the public. Responsible persons who, or enterprises which, fail to perform the production safety management duties shall be ordered to make rectifications within prescribed periods and/or pay fines. Parties who fail to rectify within such prescribed periods will be ordered to suspend production and business for rectification. In serious cases of violations involving production safety accidents, the responsible persons shall be held criminally liable.

REGULATIONS RELATING TO COMPANIES

The establishment, operation and management of corporate entities in mainland China are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated on December 29, 1993 and was last amended with immediate effect on October 26, 2018. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

The latest major amendment to the PRC Company Law took effect on March 1, 2014, pursuant to which there is no longer a prescribed time frame for shareholders of a company to make full capital contribution to a company, except as otherwise provided in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe to in the articles of association of the company. Furthermore, the initial payment of a company's registered capital is no longer subject to a minimum capital requirement, and the business license of a company will not show its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

REGULATIONS RELATING TO FOREIGN INVESTMENT

On March 15, 2019, the National People's Congress (the "**NPC**") promulgated the Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**"), which became effective on January 1, 2020, and replaced the major laws and regulations governing foreign investment in mainland China. Pursuant to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in mainland China, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in mainland China solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within mainland China, (iii) foreign investors investing in new projects in mainland China solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

Investment activities in mainland China by foreign investors are principally governed by the Catalogue of Industries for Encouraging Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》) (the "**Encouraging Catalogue**") and the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List**"), which were promulgated and are amended from time to time by the MOFCOM and the NDRC, and together with the FIL, and their respective implementation rules and ancillary regulations. The Encouraging Catalogue and the Negative List lay out the basic framework for foreign investment in mainland China, classifying businesses into three categories regarding foreign investment: "encouraged", "restricted", and "prohibited." Industries not listed in the Negative List are generally deemed as falling into a "permitted" category unless specifically restricted by other PRC Law. According to the Negative List, the industry which our mainland China subsidiaries are engaged in does not fall into the category of restricted or prohibited industries.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for foreign-invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The FIL provides that foreign-invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. The FIL does not comment on the concept of "de facto control" or contractual arrangements with variable interest entities, however, it has a catch-all provision under the definition of "foreign investment" to include investments made by foreign investors in mainland China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in mainland China, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and foreign investors' funds can be transferred out and into the mainland China territory freely. Such protective rules and principles run through the entire lifecycle of foreign investment from entry to exit, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should assume legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign-invested enterprises, established according to the existing laws regulating foreign investment before FIL came into effective, may maintain their structure and corporate governance within five years after the implementation of the FIL, which means that foreign-invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

Along with the FIL, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020, and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law (《最高人民法院關於適用<中華人民共和國外商投資法>若干問題的解釋》) promulgated by the Supreme People's Court on December 26, 2019 and became effective on January 1, 2020. The Implementation Rules of Foreign Investment Law further clarifies that the State encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening-up.

On December 30, 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in mainland China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in mainland China include the PRC Company Law and the FIL. Under the current regulatory regime in mainland China, foreign-invested enterprises in mainland China may pay dividends only out of their accumulated profit, if any, determined in accordance with accounting standards in mainland China and regulations. A company in mainland China is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital. A company in mainland China shall not distribute any profits until any losses from prior fiscal years have been offset.

REGULATIONS RELATING TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, and last amended on August 5, 2008 and various regulations issued by the SAFE and other relevant government authorities in mainland China, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside mainland China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local branches. Payments for transactions that take place within mainland China must be made in Renminbi. Unless otherwise provided by laws and regulations, companies in mainland China may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations in mainland China. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations in mainland China.

Regulations Relating to Offshore Investment

On July 4, 2014, the SAFE promulgated the SAFE Circular 37, which regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a mainland China resident must register with the local SAFE counterpart before contributing assets or equity interests in an offshore special purpose vehicle, that is directly established or indirectly controlled by such mainland China resident for the purpose of conducting investment or financing. In addition, following the initial registration, in the event of any major change in respect of the offshore special purpose vehicle, including, among other things, a change of offshore special purpose vehicle's mainland China resident shareholder(s), the name of the offshore special purpose vehicle, terms of operation, or any increase or reduction of the offshore special purpose vehicle's capital, share transfer or swap, and merger or division, the mainland China resident shall complete the change of foreign exchange registration procedures for offshore investment with the local SAFE counterpart. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the offshore special purpose vehicle directly established or controlled (first level)." At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014, as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant mainland China residents to penalties under foreign exchange administration regulations in mainland China. Mainland China residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

On February 13, 2015, the SAFE promulgated the SAFE Circular 13, which became effective on June 1, 2015, and was partially repealed by the Notice of State Administration of Foreign Exchange on Repeal or Invalidation of Five Regulatory Documents on Foreign Exchange Administration and Some Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性檔及7件外匯管理規範性檔條款的通知》) on December 30, 2019, and further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than SAFE or its local counterpart in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which became effective on June 1, 2015, according to which the foreign exchange capital of foreign-invested enterprises must be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), on June 9, 2016, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in mainland China may also convert their foreign debts from foreign currency to Renminbi on a discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a discretionary basis which applies to all enterprises registered in mainland China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Law, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. On

October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"), which became effective on the same day. SAFE Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in mainland China as long as such investments do not violate the currently effective Negative List and the target investment projects are genuine and in compliance with laws. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt, and overseas listing for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the "**EIT Laws**"), were promulgated on March 16, 2007, and December 6, 2007, respectively and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in mainland China in accordance with PRC Law, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within mainland China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside mainland China, but have established institutions or premises in mainland China, or have no such established institutions or premises but have income generated from inside mainland China. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment institutions or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside mainland China.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "**SAT Circular 82**"), promulgated on April 22, 2009 and amended on December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland China enterprises or mainland China enterprise groups is located within mainland China. The Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理

辦法(試行)》) (the "**SAT Bulletin 45**"), which was promulgated on July 27, 2011, became effective on September 1, 2011 and was subsequently amended on June 15, 2018, provides further guidance on the implementation of SAT Circular 82 and clarifies certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

According to SAT Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a mainland China tax resident by virtue of having a "de facto management body" in mainland China and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (i) the places where the senior managers and the senior management departments that are responsible for implementing the routine production, management and operation of the enterprise perform their duties, are mainly located inside mainland China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in mainland China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in mainland China; and (iv) 50% or more of voting board members or senior executives habitually reside in mainland China. According to SAT Bulletin 45, when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold income tax when paying the Chinese-sourced dividends, interests, royalties, etc. to the mainland China controlled offshore incorporated enterprise.

Pursuant to the Announcement on Issues Regarding Implementation of Preferential Income Tax Policy for High and New Technology Enterprise (《關於實施高新技術企業所得稅優惠政策有關問題的公告》) released on June 19, 2017, by the SAT, high-tech enterprise shall entertain preferential tax from the year indicated on the certificate for high-tech enterprise, and complete filing formalities with the competent tax authorities according to relevant provisions. On expiration of the qualification as high-tech enterprise, income tax shall be temporarily levied pursuant to a rate of 15% before renewal of the qualification; if such qualification shall not be obtained before the end of the year, the shortage shall be made up according to relevant provisions.

Tax on Indirect Transfer

The SAT Bulletin 7, which was issued on February 3, 2015, partially abolished by the Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) on December 29, 2017, and most recently amended pursuant to the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) on October 17, 2017, became effective on December 1, 2017 and was subsequently amended on June 15, 2018. Pursuant to SAT Bulletin 7, an "indirect transfer" of assets, including equity interests in a mainland China resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC Taxable Assets if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to SAT Bulletin 7, "PRC Taxable Assets" include assets attributed to an establishment or a place of business in mainland China, immovable properties in mainland China, and equity investments in mainland China resident enterprises. In respect of an indirect offshore transfer of assets of a mainland China establishment or place of business, the relevant gain is to be regarded as effectively connected with the mainland China establishment or a place of business and therefore included in its EIT filing and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in mainland China or to equity investments in a mainland China resident enterprise, which is not effectively connected to a mainland China establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of SAT Bulletin 7.

VAT Tax

Before August 2013 and pursuant to applicable tax regulations in mainland China, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, the Ministry of Finance and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). In May and December 2013, April 2014, March 2016 and July 2017, the Ministry of Finance and the SAT promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, a VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, the Ministry of Finance and the SAT issued the Notice on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which came into effect on May 1, 2018. According to such notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10%, respectively starting from May 1, 2018.

On March 20, 2019, the Ministry of Finance, the SAT and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》), which came into effect on April 1, 2019, to further slash VAT rates. According to the announcement, (i) for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

Environmental Protection Tax

According to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護税法》) issued by the SCNPC on December 25, 2016, implemented on January 1, 2018 and revised on October 26, 2018, and the Regulations on the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護税法實施條例》) issued by the State Council on December 25, 2017 and implemented on January 1, 2018, enterprises, institutions and other producers and business operators that directly discharge taxable pollutants into the environment within the territory of mainland China and in other sea areas under the jurisdiction of mainland China are taxpayers of environmental tax and shall pay environmental protection tax in accordance with the law.

Dividend Withholding Tax

The PRC Enterprise Income Tax Law provides that since January 1, 2008, an EIT rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in mainland China, or which have such establishment or place of business, but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within mainland China.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), and other applicable PRC Law, if a Hong Kong resident enterprise is determined by the competent tax authority in mainland China to have satisfied the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5%. However, based on the Notice of the State Administration of Taxation on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》) issued on February 20, 2009, if the relevant tax authorities in mainland China determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such tax authorities in mainland China may adjust the preferential tax treatment. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), which was issued by the SAT on February 3, 2018 and became effective on April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This notice further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》).

REGULATIONS RELATING TO THE IMPORTS AND EXPORTS OF PRODUCTS

Under the Customs Law of the PRC (《中華人民共和國海關法》) promulgated on January 22, 1987, which came into effect on July 1, 1987 and was last amended with immediate effect on April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws. The receiver of import goods and the sender of export goods shall make an accurate declaration and submit the import or export licence and relevant papers to the Customs office for examination. The consignee or consignor of imported or exported goods or a customs declaration enterprise who applies for recordation shall obtain the qualification of market entities, in accordance with the Provisions of the PRC on the Administration of Recordation of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which was promulgated on November 19, 2021 and became effective on January 1, 2022.

REGULATIONS RELATING TO UNFAIR COMPETITION AND ANTI-MONOPOLY

According to the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), promulgated on September 2, 1993, and last amended with immediate effect on April 23, 2019, unfair competition refers to the circumstance where the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions set forth therein in its production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity, as well as laws and business ethics during production and operating activities.

The Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007 and became effective on August 1, 2008, last amended on June 24, 2022 with effective date of August 1, 2022, and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and latest amended on September 18, 2018, require that where a concentration reaches one of the following thresholds, a declaration must be lodged in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented: (i) during the previous fiscal year, the total global turnover of all undertakings participating in the concentration exceeded RMB10 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within mainland China; or (ii) during the previous fiscal year, the total turnover within mainland China of all the undertakings participating in the concentration exceeded RMB2 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within mainland China.

The Measures for Examination and Approval of Concentration of Business Operators (《經營者集中審查暫行規定》), promulgated by the SAMR on October 23, 2020, last amended on March 24, 2022, and became effective on May 1, 2022, which refers concentration as (i) a merger of undertakings; (ii) acquiring control over other undertakings by acquiring equities or assets; or (iii) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

The PRC has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

The PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, and its related Implementing Regulations (《中華人民共和國著作權法實施條例》) issued by the State Council on August 2, 2002 and last amended on January 30, 2013 and became effective on March 1, 2013, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The PRC Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration (the "**NCA**") on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration and the PRC Copyright Protection Center, is designated as the software registration authority. The PRC Copyright Protection Center shall grant registration certificates to the Computer Software Copyrights applicants which conform to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Trademark

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was promulgated on August 23, 1982, and last amended on April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In mainland China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout mainland China and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the trademark office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Patent

Patents are protected by the PRC Patent Law (《中華人民共和國專利法》) which was promulgated on March 12, 1984, last amended on October 17, 2020, and became effective on June 1, 2021, and the Implementation Rules for the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated on January 19, 1985 and last amended on January 9, 2010 by the

State Council. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017. The MIIT is the major regulatory body responsible for the administration of mainland China internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. China Internet Network Information Center adopts the "first to file" principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain names used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on July 5, 1994, and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by State rules and standards on workplace safety, educate employees on labor safety and sanitation in mainland China. Labor safety and sanitation facilities shall comply with standards stipulated by the State. Enterprises and institutions shall provide employees with a safe workplace and sanitary conditions which are in compliance with State stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was implemented on January 1, 2008, and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the employees. Enterprises and institutions are forbidden to force employees to work beyond the time limit and employers shall pay employees for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to employees in a timely manner.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in mainland China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount in arrears.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. If any employer is overdue in the contribution of, or underpays, the housing provident fund, the management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made within the given period, an application may be made to a people's court for compulsory enforcement.

Prevention and Control of Occupational Diseases

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) issued by SCNPC on October 27, 2001, and revised on December 31, 2011, July 2, 2016, and latest revised on December 29, 2018, where a new construction, expansion, or reconstruction project or a technical improvement and technology introduction project may cause any occupational disease hazards, the construction entity shall (i) assess in advance the occupational disease hazards at the feasibility study stage; (ii) evaluate the effects of occupational disease hazard control before the acceptance check of the construction project; and (iii) legally organize acceptance check to the protective facilities against occupational diseases. The protective facilities against occupational diseases may be put into use in regular production and other operations only after passing the acceptance check. Besides, employers shall (i) establish and improve a responsibility system for the prevention and control of occupational diseases, strengthen the management of the prevention and control of occupational diseases, improve their capabilities of the prevention and control of occupational diseases, and assume responsibilities for their own occupational disease hazards; (ii) participate in work-related injury insurance according to law; (iii) adopt effective protective facilities against occupational diseases and provide employees with occupational disease protection items satisfying the requirements for the prevention and control of occupational diseases for personal use; (iv) install alarms and provide on-site rescue items, washing equipment, emergency evacuation exits, and necessary hazard buffer zones for toxic or harmful work sites where acute occupational injuries my occur; and (v) truthfully inform their employees of the occupational disease hazards which may arise in the work process, the consequences thereof, the protective measures against occupational diseases, remuneration, and other matters and include the same in the employment contracts, and shall not conceal such information or defraud their employees when signing employment contracts.

Labor Dispatch

The Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) on January 24, 2014, which became effective on March 1, 2014. It states that labor dispatch should only be applicable to temporary, auxiliary or substitute positions. For purposes of these provisions, temporary positions mean positions subsisting for no more than six months, auxiliary positions mean positions of non-major businesses, and substitute positions mean positions that can be held by substitute employees for a certain period of time during which the employees who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. The Interim Provisions on Labor Dispatch further provide that the number of the dispatched workers of an employer shall not exceed 10% of its total workers, and the total workforce of an employer shall refer to the sum of the number of the workers who have signed labor contracts with the employer and the number of workers who are dispatched to the employer.

Employee Stock Incentive Plan

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a mainland China subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of mainland China residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland China residents' exercise of the employee share options. The foreign exchange proceeds received by mainland China residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in mainland China opened by the PRC agents before distribution to such mainland China residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) which was promulgated by the PRC SAT and took effective from August 24, 2009, and last amended on April 18, 2011 with effective date of May 1, 2011, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS RELATING TO LAND AND THE LEASING OF PROPERTY

Land

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated by the Standing Committee of the SCNPC on June 25, 1986, implemented on January 1, 1987 and latest revised on August 26, 2019 and became effective on January 1, 2020, and the Implementation Regulations for the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), which was promulgated by the State Council on January 4, 1991, latest amended on July 2, 2021 with effective date of September 1, 2021, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law and regulations.

Leasing of Property

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and came into force on February 1, 2011, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the departments in charge of construction (real estate) of the governments in the municipality directly under the Central Government, city and county where the leased housing is located. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the department in charge of construction (real estate) of the people's government in the municipality directly under the Central Government, the cities or the counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

Furthermore, under any of the following circumstances, the properties shall not be let out: (i) illegal buildings; (ii) buildings which do not comply with mandatory project construction standards such as safety, disaster prevention, etc; (iii) change of nature of property use which violates the provisions; or (iv) any other circumstances for which leasing is prohibited as stipulated by laws and regulations. Persons who violate the provisions above shall be ordered by the development (real estate) department of the People's Governments of centrally administered municipalities, municipalities or counties to rectify the situation within a stipulated period; where there is no illegal income, a fine of not more than RMB5,000 may be imposed; where illegal income has accrued, a fine ranging from one to three times the amount of illegal income may be imposed, subject to a maximum of RMB30,000.

According to the PRC Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor shall remain valid. Where the mortgaged property has been leased and the possession thereof has been transferred before the creation of mortgage, the original lease relations shall not be affected by the mortgage.

REGULATIONS RELATING TO THE PLANNING AND CONSTRUCTION

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) (the "**Urban and Rural Planning Law**") promulgated by the SCNPC on October 28, 2007, implemented on January 1, 2008 and latest revised on April 23, 2019, a construction land planning permit is required for the right to use the State-owned land acquired by assignment and appropriation. According to the Urban and Rural Planning Law, to build any structure, fixture, road, pipeline or other engineering project within a city or town planning area, the construction entity or individual shall apply to the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the central government for a planning permit on construction project.

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997, implemented on March 1, 1998 and revised on April 22, 2011 and April 23, 2019, construction units shall, in accordance with the relevant provisions of mainland China, apply to the competent construction administrative departments under the prefecture-county governments or above for construction licences.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000 and amended on October 7, 2017 and April 23, 2019, and the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated and implemented by the former Ministry of Construction on April 4, 2000 and amended on October 19, 2009, construction project shall not be delivered for use unless it has passed the completion-based check. The construction entity should file a record to a competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days from the day when the construction project passes the acceptance check.

Pursuant to the Fire Safety Law (《消防法》) as promulgated by the SCNPC in April 1998 and last amended on April 29, 2021 and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development in April 2020, the construction entity of a large-scale crowded venue (including the construction of a manufacturing plant whose size is over 2,500 square meters) and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, use of such projects, or operation of relevant business, and (ii) a fine between RMB30,000 and RMB300,000.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection

Laws and regulations relating to environmental protection enterprises conducting manufacturing activities in mainland China are subject to provisions under PRC environmental laws and regulations on noise, waste water, gas emissions and other industrial waste. The major governing environmental laws and regulations consist of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was most recently amended on April 24, 2014 and became effective on January 1, 2015, the Law on the Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), which was most recently amended on June 27, 2017 and became effective on January 1, 2018, the Law on the Prevention and Control of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), which was most recently amended and became effective on October 26, 2018, the Law on the Prevention and Control of Solid Waste Pollution of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was most recently amended on April 29, 2020 and became effective on September 1, 2020, and the Law of the PRC on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》), which was promulgated on December 24, 2021 and came into effective on June 5, 2022 (collectively the "**Environmental Laws**"). Pursuant to the Environmental Laws, enterprises in mainland China shall build requisite environmental treatment facilities affiliating to the manufacturing facilities, where gas emissions, waste water and solid waste generated can be treated properly in accordance with the relevant provisions.

Environmental Impact Assessment and Acceptance of Environmental Protection of Construction Projects

Pursuant to the Law on the Evaluation of Environment Effects of the PRC (《中華人民共和國環境影響評價法》), which was promulgated on October 28, 2002 and was amended on July 2, 2016 and on December 29, 2018, the Administrative Regulations on the Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), which was promulgated on November 29, 1998 and amended on July 16, 2017 and became effective on October 1, 2017, and the Interim Measures for the Acceptance Inspections of Environment Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the Ministry of Environmental Protection of the PRC on November 20, 2017, enterprises that are planning construction projects should provide assessment reports, statement or registration form on the environmental impact of such projects. The assessment reports and statements must be approved by the competent environmental protection authorities prior to commencement of any construction work, while the registration forms shall be filed to them. Unless otherwise stipulated by laws and regulations, enterprises which are required to provide assessment reports and statements shall undertake the responsibility of acceptance inspections of the environmental protection facilities by itself upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination. The competent authorities may carry out spot check and supervision on the implementation of the environmental protection facilities.

Pollutant Discharge License

Pursuant to the Administrative Regulation for Pollutant Discharge Licensing (《排污許可管理條例》), which became effective on March 1, 2021, enterprises, public institutions and other producers and business operators that are subject to the administration of pollutant discharge permits in accordance with the provisions of the law shall apply for pollutant discharge permit in accordance with the provisions of these Regulations. Based on factors such as the amount of pollutants produced, the amount of pollutants discharged and the impact on the environment, pollutant discharge units are subject to two different level of pollutant discharge permit administration, namely priority administration and simplified administration.

The Prevention and Technological Policies for Pollution of Hazardous Waste (《危險廢物污染防治技術政策》), which was promulgated on December 17, 2001, and the Prevention and Technological Policies for Pollution of Waste Batteries (《廢電池污染防治技術政策》), which was promulgated on October 9, 2003 and last amended with immediate effect on December 26, 2016, emphasize that waste lead-acid batteries shall be recycled and shall not be disposed of in other ways. The collection and delivery of waste lead-acid batteries shall be within the scope of hazardous waste management. Furthermore, the Prevention and Technological Policies for Pollution of Used Batteries (《廢電池污染防治技術政策》) further stipulates that manufacturers and importers of rechargeable batteries, such as lead-acid batteries and lithium-ion batteries, and manufactures who manufacture products by using rechargeable batteries shall be responsible for the recycling of waste batteries. The responsible parties shall direct and arrange for the establishment of a recycling system for waste batteries in accordance with the marketing channels for their own products or appoint relevant entities under the recycling system to carry out the recycling effectively.

REGULATIONS RELATING TO INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

The PRC Civil Code (《中華人民共和國民法典》), which was issued by the NPC on May 28, 2020 and took effect on January 1, 2021 provides that natural persons' personal information shall be protected by law and any organizations and individuals shall legally collect personal information and ensure the security of personal information collected. It is not allowed to illegally collect, use, process or transfer the personal information, or illegally buy or sell, provide or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing. The PRC Civil Code has revised the Internet tort liability and further elaborated on "safe harbor" rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and reefing right holder's notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect the personal information irrelevant to the services they provide or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store all the personal information and important data collected and produced within the territory of mainland China. Their purchases of network products and services that may affect national security shall be subject to national cyber security review. The network operators who violate the aforesaid regulations may be ordered by the competent authority to make corrections, be given a warning, or be imposed a fine with different amounts.

The PRC Data Security Law (《中華人民共和國數據安全法》) was promulgated on June 10, 2021 and became effective on September 1, 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. Violation of the PRC Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even criminal liabilities. According to the PRC Data Security Law, the maximum monetary fine imposed on the breaching party is RMB10 million.

On December 28, 2021, the Cyberspace Administration of China and certain other PRC regulatory authorities published the Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective on February 15, 2022, replacing the Measures for Cybersecurity Review in 2020. Pursuant to the new measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. A network platform operator that has the personal information of more than one million users must apply for a cybersecurity review when it seeks to list in a foreign country. The Measures for Cybersecurity Review further elaborates the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad.

On November 14, 2021, the Cyberspace Administration of China issued the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**"). The Draft Cyber Data Security Regulations have set out requirements on matters such as the protection of personal information, security of important data, security management of cross-border data transfer, application for cybersecurity review and obligations of internet platform operators. Pursuant to the Draft Cyber Data Security Regulations, data processors carrying out the following activities must, in accordance with the relevant national regulations, apply for a cybersecurity review: (i) the merger, reorganization or spin-off of Internet platform operators that possess a large number of data resources related to national security, economic development and public interests that affects or may affect national security; (ii) listing in a foreign country of any data processors that process the personal information of more than one million users; (iii) listing in Hong Kong of data processors, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations did not define the scope of and threshold for determining what "affects or may affect national security." The term "national security" is defined as "the status of National regime, sovereignty, unity and territorial integrity, people's well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from internal and external threats, as well as the ability to ensure continuous security" in the National Security Law of the PRC (2015) (《中華人民共和國國家安全法》(2015)). In the absence of further explanation or interpretation, the government authorities in mainland China may have wide discretion in the interpretation of "affects or may affect national security." As of the Latest Practicable Date, the Draft Cyber Data Security Regulations has not come into effect.

Pursuant to the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the Cyberspace Administration of China, to provide data abroad, a data processor falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply for security assessment of outbound data: (i) where a data processor provides critical data abroad; (ii) where a key information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the Cyberspace Administration of China for which declaration for security assessment for outbound data transfers is required.

On August 20, 2021, the SCNPC issued the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which took effect on November 1, 2021. It integrates the scattered rules with respect to personal information rights and privacy protection and aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained or where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligations of the third party who has access to the personal information by way of co-processing or delegation.

As of the Latest Practicable Date, (i) we had not received any notification from relevant PRC government authorities identifying us as a critical information infrastructure operator, (ii) we had not received any inquiry, notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or Listing, we had not received any notification from any PRC government authorities informing us that we need to proceed a security assessment, (iii) we are production-oriented enterprises, rather than internet companies, our business operation do not heavily rely on the internet and data we collect and generate, (iv) the data we collect and generate within the territory of mainland China was stored within the territory of mainland China, and our daily operations and Listing had not been involved in cross-border transfer of identified core data, important data or a large amount of personal information, (v) we had implemented effective cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data, and (vi) we continuously followed the legislative and regulatory development in cybersecurity and data protection, adjusted and enhanced data practices in a timely manner to ensure compliance with all applicable laws and regulations, we will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection and will adjust and enhance data practices in a timely manner to ensure compliance with all applicable laws and regulations.

Based on the aforesaid, our PRC Legal Advisors do not foresee any material legal impediment for our Company to undertake measures to comply with the Measures for Cybersecurity Review and the Draft Cyber Data Security Regulations should they be adopted in the current form in all material respects. However, our PRC Legal Advisors have also advised us that, given that (i) there is no clear explanation or interpretations as to how to determine what activities "affect or may affect national security" under the current effective PRC laws and regulations, (ii) the identification of critical information infrastructure operators and the scope of network products or services and data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant PRC government authorities, and (iii) the PRC government authorities have discretion in interpreting the regulations, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Advisors. Considering the aforesaid and the Company's confirmation, our PRC Legal Advisor are of the view that the Measures for Cybersecurity Review and the Draft Cyber Data Security Regulations (if implemented in current forms) would not have a material adverse impact on our Group's business operations or our Company's proposed Listing in Hong Kong.

Based on the foregoing and as advised by the PRC Legal Advisors and based on the due diligence work conducted by the Sole Sponsor, the Sole Sponsor concurred with the PRC Legal Advisors that the Measures for Cybersecurity Review and the Draft Cyber Data Security Regulations (if implemented in current forms) would not have a material adverse impact on our Group's business operations or our Company's proposed Listing in Hong Kong.

REGULATIONS RELATING TO M&A RULES AND OVERSEAS LISTING

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the M&A Rules, which became effective on September 8, 2006, and was revised on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by companies or individuals in mainland China through acquisitions of shares of or equity interests in domestic companies in mainland China, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

In addition, in 2011, the General Office of the State Council promulgated the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) (the "**Circular 6**"), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), took into effective in September 2011, to implement Circular 6. Under Circular 6, security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The Rules prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company mainly engaged in the design, development, manufacturing, marketing, and sales of electric two-wheeled vehicles requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review. On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures for the Security Review for Foreign Investment (《外商投資安全審查辦法》), which became effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The

Office of the Working Mechanism of the Security Review of Foreign Investment will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the aforesaid office prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies, and other important fields relating to national security and obtain control in the target enterprise.

On July 6, 2021, the relevant PRC governments promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which became effective on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in mainland China or its main places of business are located in mainland China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in mainland China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for the listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

Pursuant to the Trial Measures, an overseas offering and listing is explicitly prohibited, if: (i) such securities offering and listing is explicitly prohibited by Laws and Regulations; (ii) the intended overseas securities offering and listing may endanger national security as determined by competent authorities under the State Council in accordance with Laws and Regulations; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of Laws and Regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) on or prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements; and (3) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Provision on Confidentiality"), which became effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs ("relevant documents and materials") to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses relevant documents and materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and out-of-country transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OVERVIEW

As one of the forerunners in electric two-wheeled vehicle industry, our founders, Mr. Ni and Ms. Hu, devoted their career in the electric two-wheeled vehicle industry with a particular dedication in research and development as early as the late 1990s.

Since the establishment of Zhejiang Luyuan, our core operating subsidiary controlled and led by Mr. Ni and Ms. Hu, in 2003, our brand "Luyuan" has gained widespread popularity in mainland China. In 2007, "Luyuan" was recognized as a well-known trademark of China (中國馳名商標), and was also awarded as one of the top 500 most influential Chinese brands (中國品牌500強) in 2018. As of the Latest Practicable Date, we held a total of 437 patents in mainland China, of which 46 invention patents, 251 were utility model patents and 140 design patents.

Under the leadership of Mr. Ni, awardee of Ernst & Young 2010 Entrepreneur of the Year in Cleantech category, and Ms. Hu, our business witnessed exponential growth and our founders sought to look for new breakthroughs. See "Directors and Senior Management" for biographical details of Mr. Ni and Ms. Hu.

BUSINESS MILESTONES

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

Year	Event
2003	Zhejiang Luyuan was incorporated.
2004	Our own production facilities in Zhejiang commenced production.
2006	We introduced our Luyuan 4CS Services System (綠源4CS服務體系).
2007	Our trademark "Luyuan", meaning green energy, was recognized as a well-known trademark of China (中國馳名商標).
2008	The first welding robot officially commenced production.
2009	Our Company was incorporated. Our production facilities in Shandong commenced production. We launched our Luyuan Green Battery Project (綠源綠色電池項目), providing one-stop sales, examination, repair and maintenance services of batteries. We were also recognized as "A High Tech Enterprise" (高新技術企業) for the first time.
2010	Our brand "Luyuan" was awarded as a "Famous Brand Product of Zhejiang Province" (浙江名牌產品).

Year	Event
2011	We introduced institutional strategic investors to our Company.
2014	We expanded our production scale in Shandong.
2018	We were awarded as one of the top 500 most influential Chinese brands (中國品牌500強).
2020	We were awarded as "Green Factory" (綠色工廠).
2021	Our factory in Guangxi commenced operation. We were awarded the Technology Advancement Award (科學技術進步獎) by China Light Industry Association (中國輕工業聯合會).
2022	We further expanded our production facilities in Zhejiang and were awarded as "Top 200 Enterprises of China Light Industry" (中國輕工業二百強企業) and "Top 10 Enterprises of China's Electric Bicycle Industry" (中國電動自行車行業十強企業).

OUR MAJOR SUBSIDIARIES

The following subsidiaries are of strategic importance to us or have made material contributions to our results of operations during the Track Record Period:

Name of Subsidiary	Place of Incorporation	Date of Incorporation	Issued Share Capital/ Registered Capital	Shareholding Control by our Company as of the Latest Practicable Date	Principal Business	Major Changes in Shareholding Control by our Company during the Track Record Period
Luyuan BVI	BVI	February 16, 2009	US$1	100%	Investment holding	None
Luyuan HK	Hong Kong	February 24, 2009	HK$10,000,000	100%	Investment holding	None
Zhejiang Luyuan	PRC	May 12, 2003	US$12,000,000	100%	Manufacture of electric vehicles and accessories	None

Name of Subsidiary	Place of Incorporation	Date of Incorporation	Issued Share Capital/ Registered Capital	Shareholding Control by our Company as of the Latest Practicable Date	Principal Business	Major Changes in Shareholding Control by our Company during the Track Record Period
Guangxi Luyuan	PRC	August 28, 2019	RMB100,000,000	100%	Manufacture of electric vehicles and accessories	None
Shandong Luyuan	PRC	August 25, 2008	RMB400,000,000	100%	Manufacture of electric vehicles and accessories	None
Zhejiang Luyuan Information Technology	PRC	May 28, 2015	RMB80,000,000	100%	Sale of electric vehicles and accessories	None
Linyishi Hongzi	PRC	April 7, 2015	RMB289,000,000	Not applicable	Investment holding	Deregistered by our Group on June 29, 2022

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR COMPANY AND MAJOR SUBSIDIARIES

We describe below the major changes in the shareholding of our Company and our major subsidiaries up to the date of this prospectus.

Our Company

Our Company is the holding company of our Group. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 18, 2009. At the time of incorporation, our Company had an authorized share capital of US$50,000 divided into 50,000 shares of a par value of US$1.00 each. Immediately after incorporation, one share of a par value of US$1.00 of our Company was issued and allotted to an initial subscriber (a company secretarial service provider), who on the same day transferred the same to Mr. Jing Ning (井寧) ("**Mr. Jing**"), our then chief financial officer primarily responsible for our Group's offshore business, a Hong Kong resident and nominee shareholder nominated by Mr. Ni and Ms. Hu, at a consideration of US$1.00.

For details of the shareholding changes of our Company, see "— Early Development and Evolution."

In the course of preparation for our Listing, a former employee of our Group (the "**Former Employee**") alleged that he is entitled to 2% shares in our Company and had a minority stake in Zhejiang Luyuan ("**Alleged Interests**"). During the Track Record Period and up to the Latest Practicable Date, the Former Employee had not commenced any legal proceedings against our Group and/or any of our Controlling Shareholders in respect of his Alleged Interests. As advised by our PRC Legal Advisors, the Former Employee had never been a shareholder of Zhejiang Luyuan from legal perspective, and no valid and legally binding agreements in relation to the Former Employee's alleged entitlement to 2% shares in our Company under the PRC laws had been provided. On the basis of the foregoing, our PRC Legal Advisors are of the view that the Former Employee has no valid claim for commencing any causes of action against our Group in relation to the Alleged Interests. Our Directors are of the view, and our PRC Legal Advisors concur, that the Former Employee's allegations in the Alleged Interests are invalid and groundless. In the event that the Former Employee brings any legal proceedings against the Group in the future, our Directors are of the view that pursuant to such legal proceedings, if initiated, the likelihood that the Former Employee will be awarded 2% shares in our Company is very remote and we will defend vigorously in such legal proceedings. Nevertheless, our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred and to be incurred by us as a result of any Former Employee's claim(s) in respect of Alleged Interests.

Luyuan BVI

Luyuan BVI was incorporated as a company with limited liability in the BVI on February 16, 2009. At the time of incorporation, Luyuan BVI had an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On February 18, 2009, one share of Luyuan BVI was issued and allotted to Mr. Jing, at a nominal consideration of US$1.00. On April 9, 2010, Mr. Jing (as trustee) transferred all shares in Luyuan BVI to our Company at nil consideration. Since then and as of the Latest Practicable Date, Luyuan BVI was wholly-owned by our Company.

Luyuan HK

Luyuan HK was incorporated as a company with limited liability in Hong Kong on February 24, 2009. Immediately after incorporation, one share of Luyuan HK was issued and allotted to an initial subscriber (a company secretarial service provider), who on March 20, 2009 transferred the same to Mr. Jing, at a consideration of HK$1.00. On April 7, 2010, Mr. Jing transferred all shares in Luyuan HK to Luyuan BVI, at nil consideration. Since then and as of the Latest Practicable Date, Luyuan HK was wholly-owned by Luyuan BVI.

Zhejiang Luyuan

Zhejiang Luyuan was established in the PRC on May 12, 2003 as a limited company with a registered capital of US$4,080,000. At the time of establishment, Zhejiang Luyuan was owned as to 51% by Jinhua Luyuan (a company then owned as to 75% and 25% by Mr. Ni and Ms. Hu, respectively) and 49% by Mr. Ye Zhongbao (葉忠保) ("**Mr. Ye**"), Filipino-Chinese, nominee shareholder of 美國賽立特電源有限公司 (Sanlight Battery Produce Corp.) and an Independent Third Party. Jinhua Luyuan funded its share in capital of Zhejiang Luyuan of US$2,080,000 using its own internal resources.

On February 25, 2007, the board of directors of Zhejiang Luyuan resolved to increase the registered capital of Zhejiang Luyuan from US$4,080,000 to US$6,080,000, and such contribution shall be made by Jinhua Luyuan and had been fully settled by March 1, 2007. Following which, the registered capital of Zhejiang Luyuan of US$4,080,000, or 67.1%, was held by Jinhua Luyuan and US$2,000,000, or 32.9%, was held by Mr. Ye.

Pursuant to an equity transfer agreement entered into between Jinhua Luyuan and Luyuan Holding dated May 30, 2007, Jinhua Luyuan transferred registered capital of US$2,900,000, representing then 47.7% equity interest, in Zhejiang Luyuan to Luyuan Holding (which was then owned by Mr. Ni and Ms. Hu as to 75% and 25% respectively), at an aggregate consideration of US$2,900,000 (equivalent to RMB23,200,000). The consideration was determined with reference to the paid-up registered capital of Zhejiang Luyuan being transferred and was fully settled in May 2007. Following completion of the aforesaid transfer, Zhejiang Luyuan was owned as to 47.7% by Luyuan Holding, 32.9% by Mr. Ye and 19.4% by Jinhua Luyuan.

With a view to bringing our Group to an international platform for larger scale fund-raising activities, Hong Kong Rainbow, a company incorporated in Hong Kong and then owned by Mr. Ni and Ms. Hu as to 40% and 60% respectively, acquired registered capital of US$2,000,000, representing then 32.9% equity interest, in Zhejiang Luyuan, from Mr. Ye at an aggregate consideration of US$2,000,000 pursuant to an equity transfer agreement entered into between Mr. Ye and Hong Kong Rainbow dated February 21, 2008. The consideration was determined with reference to the paid-up registered capital of Zhejiang Luyuan being transferred and was fully settled in September 2013. Following completion of the aforesaid transfer, Zhejiang Luyuan was owned as to 47.7% by Luyuan Holding, 32.9% by Hong Kong Rainbow and 19.4% by Jinhua Luyuan.

On June 10, 2008, Jinhua Luyuan and Luyuan Holding entered into an equity transfer agreement, pursuant to which, Jinhua Luyuan agreed to sell, and Luyuan Holding agreed to purchase, registered capital of US$1,180,000, representing then 19.4% equity interest, in Zhejiang Luyuan at an aggregate consideration of RMB11,696,600. The consideration was determined with reference to the net asset value of Zhejiang Luyuan as of December 31, 2007 after deducting the dividends declared or distributed prior to the transfer and was fully settled on June 17, 2008. Following the aforesaid transfer, Zhejiang Luyuan was owned as to 67.1% by Luyuan Holding and 32.9% by Hong Kong Rainbow.

On June 18, 2009, Luyuan HK entered into an equity transfer agreement to acquire registered capital of US$2,000,000, representing then 32.9% equity interest, in Zhejiang Luyuan from Hong Kong Rainbow at an aggregate consideration of US$2,000,000. The consideration was determined with reference to the paid-up registered capital of Zhejiang Luyuan being transferred and was fully settled by September 2013. Following the aforesaid transfer, Zhejiang Luyuan was owned as to 67.1% by Luyuan Holding and 32.9% by Luyuan HK.

On July 1, 2013, Jinhua Shitong, the then sole shareholder of Luyuan Holding and a wholly-owned subsidiary of Luyuan HK, resolved that Zhejiang Luyuan will acquire and absorb Luyuan Holding. On the same day, Luyuan HK, the then sole shareholder of Jinhua Shitong, resolved that Zhejiang Luyuan will acquire and absorb Jinhua Shitong. Following the aforesaid mergers (the "**Mergers**"), Luyuan Holding and Jinhua Shitong were deregistered on June 13, 2014 and July 25, 2014, respectively, and Zhejiang Luyuan, being the surviving entity with a registered capital of US$12,000,000, was directly wholly-owned by Luyuan HK.

On June 17, 2015, Luyuan HK, then sole shareholder of Zhejiang Luyuan resolved to increase the registered capital of Zhejiang Luyuan from US$12,000,000 to US$24,500,000, and such contribution shall be made by Zhejiang Hongzi, a company established in the PRC with limited liability and then an indirect wholly-owned subsidiary of our Company. Following which, the registered capital of Zhejiang Luyuan of US$12,500,000, or 51%, was held by Zhejiang Hongzi and US$12,000,000, or 49%, was held by Luyuan HK.

On June 12, 2020, then shareholders of Zhejiang Luyuan resolved to increase the registered capital of Zhejiang Luyuan from US$24,500,000 to US$53,000,000 and such contribution shall be made by Linyishi Hongzi, a company established in the PRC with limited liability and then an indirect wholly-owned subsidiary of the Company, and had been fully settled by June 29, 2020. Following the said capital increase, the registered capital of Zhejiang Luyuan of US$28,500,000, or 53.78%, was held by Linyishi Hongzi, US$12,500,000, or 23.58%, was held by Zhejiang Hongzi and US$12,000,000, or 22.64%, was held by Luyuan HK.

On December 23, 2021, then shareholders of Zhejiang Luyuan resolved to reduce the registered capital of Zhejiang Luyuan from US$53,000,000 to US$12,000,000. Following the aforesaid reduction in registered capital and up to the Latest Practicable Date, Zhejiang Luyuan was wholly-owned by Luyuan HK, and Linyishi Hongzi and Zhejiang Hongzi ceased to hold equity interests in Zhejiang Luyuan.

See also "— Our Company" regarding an allegation by the Former Employee in relation to a minority stake in Zhejiang Luyuan.

Guangxi Luyuan

Guangxi Luyuan was established in the PRC on August 28, 2019 as a limited company with a registered capital of RMB5,000,000. At the time of establishment and as of the Latest Practicable Date, Guangxi Luyuan was wholly-owned by Zhejiang Luyuan.

On October 20, 2020, Zhejiang Luyuan, sole shareholder of Guangxi Luyuan, resolved to increase the registered capital of Guangxi Luyuan from RMB5,000,000 to RMB50,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on November 12, 2020.

On April 19, 2021, Zhejiang Luyuan, sole shareholder of Guangxi Luyuan, resolved to increase the registered capital of Guangxi Luyuan from RMB50,000,000 to RMB100,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on May 10, 2021.

Shandong Luyuan

Shandong Luyuan was established in the PRC on August 25, 2008 as a limited company with a registered capital of RMB20,000,000. At the time of establishment, Shandong Luyuan was wholly-owned by Luyuan Holding.

On July 12, 2011, then shareholder of Shandong Luyuan resolved to increase the registered capital of Shandong Luyuan from RMB20,000,000 to RMB80,000,000 and such contribution shall be made by Luyuan Holding, which had been fully settled on July 14, 2011.

On September 10, 2014, as part of and as a result of the Mergers, Shandong Luyuan was wholly-owned by Zhejiang Luyuan, in place of Luyuan Holding.

Pursuant to an agreement entered into between Shandong Luyuan and Linyishi Luling Property Services dated September 7, 2019, Shandong Luyuan absorbed and merged Linyishi Luling Property Services (a company which was then owned as to 90% by Shandong Luyuan and 10% by Zhejiang Luyuan Information Technology). Following which, on October 10, 2019, the registered capital of Shandong Luyuan increased from RMB80,000,000 to RMB90,000,000, among which RMB86,148,000, or 95.72%, was held by Zhejiang Luyuan and RMB3,852,000, or 4.28%, was held by Zhejiang Luyuan Information Technology.

On November 22, 2019, then shareholders of Shandong Luyuan resolved to increase the registered capital of Shandong Luyuan from RMB90,000,000 to RMB200,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on November 27, 2019. Following the said capital increase, the registered capital of Shandong Luyuan of RMB196,148,000, or 98.074%, was held by Zhejiang Luyuan and RMB3,852,000, or 1.926%, was held by Zhejiang Luyuan Information Technology.

On June 20, 2020, then shareholders of Shandong Luyuan resolved to increase the registered capital of Shandong Luyuan from RMB200,000,000 to RMB400,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on June 22, 2022. Following the said capital increase, the registered capital of Shandong Luyuan of RMB396,148,000, or 99.037%, was held by Zhejiang Luyuan and RMB3,852,000, or 0.963%, was held by Zhejiang Luyuan Information Technology.

Zhejiang Luyuan Information Technology

Zhejiang Luyuan Information Technology was established in the PRC on May 28, 2015 as a limited company with a registered capital of RMB10,000,000. At the time of establishment and as of the Latest Practicable Date, Zhejiang Luyuan Information Technology was wholly-owned by Zhejiang Luyuan.

On April 20, 2016, shareholder of Zhejiang Luyuan Information Technology resolved to increase the registered capital of Zhejiang Luyuan Information Technology from RMB10,000,000 to RMB80,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on October 11, 2016.

Linyishi Hongzi

Linyishi Hongzi was established in the PRC on April 7, 2015 as a limited company with a registered capital of RMB2,000,000. At the time of establishment, Linyishi Hongzi was owned as to 70% by Shandong Luyuan and as to 30% by Guangdong Luyuan.

On May 5, 2020, Guangdong Luyuan and Shandong Luyuan entered into an equity transfer agreement, pursuant to which Guangdong Luyuan agreed to transfer 30% equity interests in Linyishi Hongzi to Shandong Luyuan at an aggregate consideration of RMB600,000. The consideration was determined with reference to registered capital of Linyishi Hongzi being transferred and had been fully settled on May 7, 2020. Following the said transfer, Linyishi Hongzi was wholly-owned by Shandong Luyuan.

On June 20, 2020, Shandong Luyuan, sole shareholder of Linyishi Hongzi, resolved to increase the registered capital of Linyishi Hongzi from RMB2,000,000 to RMB289,000,000 and such contribution shall be made by Shandong Luyuan, which had been fully settled on June 30, 2020.

As Linyishi Hongzi was an investment holding company without substantial business operations since its incorporation, it was deregistered on June 29, 2022 after it no longer held any equity interests. See "— Reorganization."

Major Acquisitions and Disposals

We did not conduct any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

EARLY DEVELOPMENT AND EVOLUTION

Early Development during the period from the Establishment of Zhejiang Luyuan in 2003 to the year before the Evolution in 2009

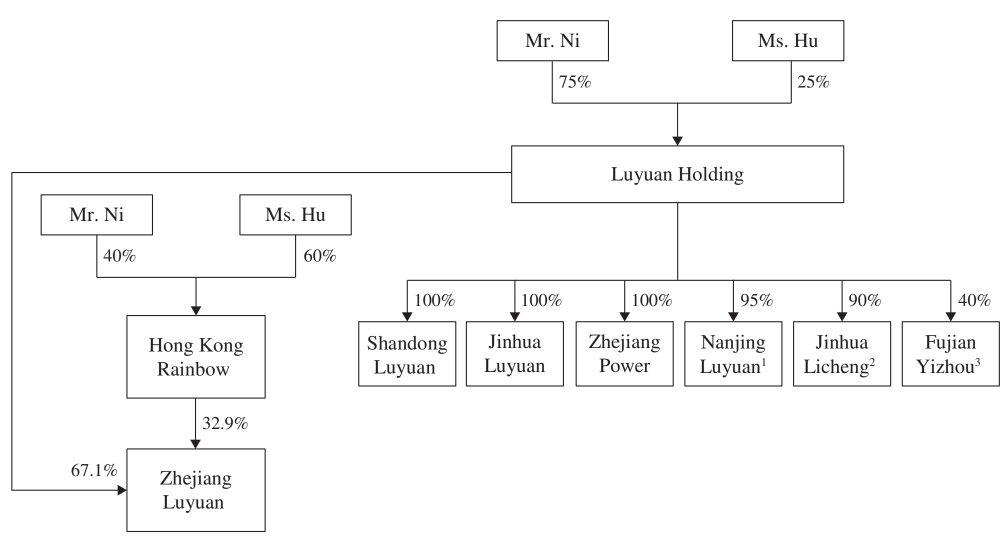
In 2003, Mr. Ni and Ms. Hu, through Jinhua Luyuan, set up and invested in Zhejiang Luyuan, our first principal operating company primarily engaged in the sales, and research and development of electric two-wheeled vehicles under our "Luyuan" (綠源) brand, with Mr. Ye. Under the leadership of Mr. Ni and Ms. Hu, coupled with their dedication in research endeavors in electric two-wheeled vehicles, "Luyuan" (綠源) brand has gained widespread popularity across mainland China and the business of our Group flourish. During the period from 2003 to 2008, we strategically expanded our footprints in mainland China and continuously refined our corporate structure through acquisitions and setting up new subsidiaries. We acquired equity interests in Nanjing Luyuan and Fujian Yizhou, and established Shandong Luyuan, Zhejiang Power and Jinhua Licheng as our subsidiaries.

Furthermore, to support a sustainable and rapid development of our Group and to meet capital needs for our continuous research and development in electric vehicles, our founders, Mr. Ni and Ms. Hu, began considering larger scale of fund-raising activities. To this end, our founders, Mr. Ni and Ms. Hu, set up Hong Kong Rainbow, a company incorporated in Hong Kong with limited liability, in 2003, as an investment holding vehicle. Hong Kong Rainbow, together with Luyuan Holding, both then wholly-owned by Mr. Ni and Ms. Hu, held the entire equity interest in Zhejiang Luyuan.

Evolution prior to the Track Record Period

Since around 2009, we evolved with a view to bringing our Group to an international platform for larger scale fund-raising activities in support of our steady business operations and development.

Set forth below is our simplified corporate and shareholding structure immediately before the Evolution:



Notes:

1. The remaining 5% equity interests in Nanjing Luyuan was owned by Zhan Qiuxiang, a former employee, the then head of sales department of our Group and an Independent Third Party.

2. The remaining 10% equity interests in Jinhua Licheng was owned by Wang Shuanglin, an Independent Third Party.

3. The remaining 60% equity interests in Fujian Yizhou was owned as to 28.8% by Chen Pinshou, 27.45% by Lin Pingzai, and 3.75% by Zhang Xiqing, each an Independent Third Party.

Set out below are the major events involved in the Evolution:

Offshore Development

Establishment of our Company, Luyuan BVI and Luyuan HK

In February 2009, our Company, Luyuan BVI and Luyuan HK were incorporated under the name of "CET Group Holding (Cayman) Limited", "CET International Limited" and "CET International (Hong Kong) Limited (香港新能源國際有限公司)", respectively. Our Company, Luyuan BVI and Luyuan HK were renamed as "Luyuan Group Holding (Cayman) Limited", "Luyuan International Limited" and "Luyuan International (Hong Kong) Limited", respectively, in March 2011.

Upon incorporation, Mr. Jing, our then chief financial officer primarily responsible for our Group's offshore business, a Hong Kong resident and nominee shareholder nominated by Mr. Ni and Ms. Hu, was nominated as the sole shareholder of our Company, Luyuan BVI and Luyuan HK. Mr. Jing held all shares in our Company, Luyuan BVI and Luyuan HK on trust for our founders, Mr. Ni and Ms. Hu.

On April 7, 2010, Mr. Jing transferred all shares of Luyuan HK to Luyuan BVI, and on April 9, 2010, transferred all shares in Luyuan BVI to our Company. Following the said transfers, our Company wholly-owned Luyuan BVI, which wholly-owned Luyuan HK, the holding company of our mainland China operations.

Shareholders' Arrangement

On July 16, 2010, 999 new shares of our Company of a par value of US$1.00 each were issued to Mr. Jing. On the same day, 300 shares, 300 shares and 400 shares of our Company of a par value of US$1.00 each issued to and held by Mr. Jing were transferred to Apex Marine, Drago Investments and Best Expand, respectively, at nil consideration. Following the aforesaid transfers, our Company was owned as to 30% by Apex Marine, 30% by Drago Investments and 40% by Best Expand. Mr. Jing held the shares in Apex Marine and Drago Investments on trust for Mr. Ni and Ms. Hu, respectively, and held the shares in Best Expand on trust for Mr. Ni and Ms. Hu jointly. The shares of our Company held by Best Expand were then intended to be used for establishing share incentive scheme of our Company.

On September 9, 2010, Mr. Jing transferred all shares held by him in Apex Marine and Drago Investments to Apex Trust and Drago Trust, respectively, at nil consideration to facilitate our founders' family estate planning. On December 31, 2017, as the trustee of Apex Trust and Drago Trust then terminated its business segment on trust management, shares held by Apex Trust and Drago Trust in Apex Marine and Drago Investments were temporarily transferred to Ms. Ni (daughter of Mr. Ni and Ms. Hu and a member of the senior management of our Company, who held such shares on trust for Mr. Ni and Ms. Hu, respectively) at nil consideration. As confirmed by Mr. Ni and Ms. Hu, the trust arrangement was intended to enable Ms. Ni, who was then living and studying overseas, to manage the offshore structure of our Group in place of Mr. Jing, who indicated his intention to leave our Group in around mid-2018 and left our Group by the end of August 2019, for administrative convenience. On October 15, 2018, all shares in Apex Marine and Drago Investments were transferred by trustee, Ms. Ni, to Mr. Ni and Ms. Hu, respectively, at nil consideration, and all shares in Best Expand were transferred by trustee, Mr. Jing, to Ms. Ni, who held such shares on trust, at nil consideration.

Introduction of Strategic Investors

On June 27, 2011, Best Expand transferred 110 shares and 110 shares of a par value of US$1.00 each of our Company to Apex Marine and Drago Investments at a consideration of US$110 and US$110, respectively. The considerations were determined based on the par value of the shares being transferred. On the same day, Best Expand transferred 80 shares to Shipston at a consideration of US$6,067,192, which was determined with reference to the financial results of Luyuan Holding for the year ended December 31, 2010 multiplied by a pre-determined fixed ratio. On June 28, 2011, 902 shares, 902 shares, 220 shares and 176 shares of a par value of US$1.00 each of our Company were issued and allotted on pro-rata basis to Apex Marine, Drago Investments, Best Expand and Shipston at a subscription price of US$902, US$902, US$220 and US$176, respectively. The aforesaid subscription prices were determined based on the par value of the allotted shares. Following the aforesaid transfers and allotments, our Company was owned as to 41% by Apex Marine, 41% by Drago Investments, 10% by Best Expand and 8% by Shipston. See also "— Pre-IPO Investments."

On July 13, 2011, each share of a par value of US$1.00 of the authorized capital of our Company (including issued and unissued share capital) was subdivided into 10,000 shares of a par value of US$0.0001 each, and immediately following the aforesaid subdivision, the authorized share capital of our Company was altered to US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each.

On May 26, 2015, 1,017,961 Shares and 1,542,039 Shares were issued and allotted to New Healthcare PPE and New Power PPE at subscription prices of RMB26,405,908.34 and RMB40,000,491.66, or US$4,295,379 and US$6,511,483, respectively (based on the exchange rate of US$1 = RMB6.14 announced by the People's Bank of China on March 31, 2015). The aforesaid subscription prices were determined with reference to the audited net profit of our Group for the year ended December 31, 2013 multiplied by a pre-determined fixed return ratio and had been fully settled on June 26, 2015.

After New Healthcare PPE and New Power PPE became shareholders of our Company, on July 1, 2015, Zhejiang Luyuan entered into strategic cooperation agreement with Kwang Yang Motor Co., Ltd. (光陽工業股份有限公司) ("**Kwang Yang**") in relation to the cooperation to design, develop and manufacture electric vehicles for a term of three years from July 1, 2015 to June 30, 2018. Kwang Yang is a motorcycle manufacturer in Taiwan founded in 1963. To the knowledge of the Directors, Kwang Yang is a member of Kwang Yang Holdings Limited, which was the single largest shareholder of New Healthcare PPE and a then shareholder of New Power PPE. Pursuant to the said strategic cooperation agreement, Kwang Yang agreed to provide research and technical support and services to Zhejiang Luyuan in order to shorten our development cycle and enhance our product quality including but not limited to providing technical support in designing and developing new models of electric vehicles and spare parts and assisting in developing our product quality control measures. During the term of the strategic cooperation agreement, new models of electric vehicles were launched in the market with unsatisfactory annual sales volume in 2017. As the sales performance based on our research cooperation with Kwang Yang was not satisfactory, we decided not to proceed with further cooperation upon expiry of the strategic cooperation agreement.

As our research cooperation with New Healthcare PPE and New Power PPE did not proceed as intended, all Shares issued to New Healthcare PPE and New Power PPE were repurchased by our Company on September 3, 2018 at a consideration of US$5,154,454.8 and US$7,813,800, respectively. The aforesaid repurchase considerations were determined based on a return rate of 20% on the subscription price as agreed by our Company, New Healthcare PPE and New Power PPE after arm's length negotiation and had been fully settled on August 28, 2018.

As of September 3, 2018, the shareholding structure of our Company is as follows:

Shareholders	Number of Shares	Percentage of Shareholding
Apex Marine	13,120,000	41.0%
Drago Investments	13,120,000	41.0%
Best Expand	3,200,000	10.0%
Shipston	2,560,000	8.0%

Onshore Development

Acquisition of 32.9% equity interest in Zhejiang Luyuan

On June 18, 2009, Luyuan HK entered into an equity transfer agreement to acquire registered capital of US$2,000,000, representing then 32.9% equity interest, in Zhejiang Luyuan from Hong Kong Rainbow at an aggregate consideration of US$2,000,000. The consideration was determined with reference to paid-up registered capital of Zhejiang Luyuan being transferred and was fully settled by September 2013.

Establishment of Jinhua Shitong and its Acquisition of 100% equity interest in Luyuan Holding

On June 12, 2009, Jinhua Shitong was established as a wholly-owned subsidiary of Luyuan HK as an investment holding company.

On November 6, 2009, Jinhua Shitong and Luyuan Holding entered into two equity transfer agreements with Mr. Ni and Ms. Hu, pursuant to which, Mr. Ni and Ms. Hu transferred 60% and 20% equity interests in Luyuan Holding to Jinhua Shitong, respectively, at a consideration of RMB30,000,000 and RMB10,000,000, respectively. The aforesaid considerations were determined based on the registered capital of the equity interests being transferred and were fully settled on November 6, 2009. Following which, Luyuan Holding was owned as to 80% by Jinhua Shitong, 15% by Mr. Ni and 5% by Ms. Hu.

On April 2, 2011, Jinhua Shitong injected capital of RMB10,000,000 into Luyuan Holding. Following which, the registered capital of Luyuan Holding increased from RMB50,000,000 to RMB60,000,000 and the registered capital of RMB50,000,000, or 83.3%, was held by Jinhua Shitong, RMB7,500,000, or 12.5%, was held by Mr. Ni and RMB2,500,000, or 4.2%, was held by Ms. Hu.

On June 23, 2011, Mr. Ni and Ms. Hu ceased to hold any equity interests in Luyuan Holding by way of capital reduction. Following which, the registered capital of Luyuan Holding decreased from RMB60,000,000 to RMB50,000,000 and Luyuan Holding was wholly-owned by Jinhua Shitong.

Acquisition of 5% equity interest in Nanjing Luyuan by Luyuan Holding, and Subsequent Disposal of Nanjing Luyuan

On March 16, 2011, Luyuan Holding acquired 5% equity interest in Nanjing Luyuan, a company established in the PRC which was principally engaged in wholesale and sale of electric vehicles, from Zhan Qiuxiang. As agreed between Zhan Qiuxiang and Luyuan Holding, no consideration was paid by Luyuan Holding for the acquisition considering that the 5% equity interests in Nanjing Luyuan were given to Zhan Qiuxiang, a former employee, the then head of sales department of our Group and an Independent Third Party, as a gift to motivate her to work with commitment for the benefits of our Group. Following completion, Nanjing Luyuan was wholly-owned by Luyuan Holding.

On September 20, 2012, Luyuan Holding transferred all equity interest in Nanjing Luyuan to Huang Qingsheng for a consideration of RMB2,000,000. The consideration was determined based on the registered capital of Nanjing Luyuan and had been fully settled on January 24, 2013. Following the aforesaid transfer, our Group ceased to hold any equity interest in Nanjing Luyuan.

The financial results of Nanjing Luyuan for the year ended December 31, 2011 was not consolidated into the financial results of our Group for the year ended December 31, 2011 as we did not participate in the operations and management in Nanjing Luyuan since we had decided to dispose of our interests in Nanjing Luyuan. Based on the management account of Nanjing Luyuan for the year ended December 31, 2010, revenue of Nanjing Luyuan amounted to RMB18.5 million in 2010, all of which were revenue generated from sales of electric vehicles and accessories.

Huang Qingsheng was a local distributor of our Group and an Independent Third Party. During the Track Record Period, revenue attributable to Huang Qingsheng amounted to RMB18.2 million, RMB23.4 million and RMB21.2 million in 2020, 2021 and 2022, respectively, representing 0.8%, 0.7% and 0.4% of our total revenue in 2020, 2021 and 2022, respectively, whereas no revenue was attributable to Nanjing Luyuan during the Track Record Period.

Disposal of 100% equity interest in Jinhua Luyuan

With a view to benefit from centralized administration and production, taking into account the resources available to, and the qualifications possessed by, Zhejiang Luyuan, businesses of Jinhua Luyuan were transferred to Zhejiang Luyuan. Following which and immediately prior to the disposal, Jinhua Luyuan only held and leased properties and was no longer engaged in production or businesses. On April 6, 2011, all equity interests in Jinhua Luyuan were transferred by Luyuan Holding to Mr. Ni at an aggregate consideration of RMB21,239,424.07, which was determined with reference to the valuation of the net asset and immovable property of Jinhua Luyuan as of December 31, 2010 and had been fully settled by July 19, 2013.

Establishment of Anhui Baijiayu

On June 25, 2012, Anhui Baijiayu was established in the PRC with a registered capital of RMB5,000,000. Anhui Baijiayu was established by Zhejiang Luyuan with Su Bo (director of Shandong Luyuan and Guangxi Luyuan and cousin of Ms. Hu), Ge Yigong (our then local distributor in Anhui) and Lin Xianjun (our business development and strategies consultant who recommended the implementation of equity incentive scheme to our Group), as our Group's share incentive initiative to motivate our staff and local distributors to work for the benefit of our Group through aligning the interests of our employees and business partners with our Group. As of the date of establishment, Anhui Baijiayu was owned as to 51% by Zhejiang Luyuan, 18% by Su Bo, 16% by Ge Yigong, and 15% by Lin Xianjun. Ge Yigong was a local distributor of our Group and an Independent Third Party. During the Track Record Period, revenue attributable to Ge Yigong amounted to RMB4.5 million, RMB5.7 million and nil in 2020, 2021 and 2022, respectively, representing 0.2%, 0.2% and nil of our total revenue in 2020, 2021 and 2022, respectively. Lin Xianjun is an Independent Third Party and no revenue were attributable to Anhui Baijiayu, Su Bo and Lin Xianjun during the Track Record Period.

As we intend to strengthen our control over Anhui Baijiayu, Zhejiang Luyuan acquired from Su Bo 20% equity interest in Anhui Baijiayu at a consideration of RMB1,000,000 pursuant to an equity transfer agreement dated June 24, 2015. The aforesaid consideration was determined with reference to paid-up registered capital being transferred and had been fully settled on June 25, 2015. Following the aforesaid transfer, Zhejiang Luyuan was interested in 71% equity interest in Anhui Baijiayu.

Establishment of Jiangsu Luyuan

On September 5, 2012, Jiangsu Luyuan was established in the PRC with a registered capital of RMB20,000,000 and was principally engaged in research and development of electric vehicles and sales and distribution of three-wheeled electric vehicles. As of the date of establishment, Jiangsu Luyuan was owned as to 70%, 15% and 15% by Luyuan Holding, and two Independent Third Parties, Liu Zhijun and Xu Wanlin, respectively.

As Liu Zhijun and Xu Wanlin indicated their intention to exit from the three-wheeled electric vehicle projects and as part of our internal restructuring, on October 14, 2013, Luyuan Holding, Liu Zhijun and Xu Wanlin transferred all their equity interest in Jiangsu Luyuan to Zhejiang Luyuan at a consideration of RMB14,000,000, RMB3,000,000 and RMB3,000,000, respectively. The aforesaid considerations were determined with reference to the paid-up registered capital under transfer and had been fully settled by October 17, 2013. Following the aforesaid transfers, Jiangsu Luyuan was wholly-owned by Zhejiang Luyuan.

Establishment and Deregistration of Hebei Fangzhen

On September 5, 2012, Hebei Fangzhen was established in the PRC with a registered capital of RMB5,000,000 and was principally engaged in sales and after-sale of electric vehicles and marketing businesses. Hebei Fangzhen was established by Zhejiang Luyuan with Su Bo (director of Shandong Luyuan and Guangxi Luyuan and cousin of Ms. Hu), Hai Wei (our then Group's sales manager responsible for Hebei district), and Zhang Qiang, Liu Yanming, Yuan Songya and Zhou Hongxin, each a then local distributor in Hebei district, as our Group's share incentive initiative to motivate our local distributors and sales personnel to work for the benefit of our Group through aligning the interests of our employees and business partners with our Group. As of the date of establishment, Hebei Fangzhen was owned to 51% by Zhejiang Luyuan, 28% by Su Bo, 8% by Zhang Qiang, 6% by Hai Wei, 4% by Liu Yanming, 2% by Yuan Songya and 1% by Zhou Hongxin. Each of Zhang Qiang, Hai Wei, Liu Yanming, Yuan Songya and Zhou Hongxin is an Independent Third Party. During the Track Record Period, revenue attributable to Zhang Qiang amounted to RMB3.9 million, RMB7.2 million, RMB8.3 million in 2020, 2021 and 2022, respectively, representing 0.2%, 0.2% and 0.2% of our total revenue in 2020, 2021 and 2022, respectively. Revenue attributable to Liu Yanming amounted to RMB0.4 million, RMB0.3 million, RMB0.1 million in 2020, 2021 and 2022, respectively, representing 0.02%, 0.01% and 0.002% of our total revenue in 2020, 2021 and 2022, respectively. No revenue was attributable to Yuan Songya during the Track Record Period. Revenue attributable to Zhou Hongxin amounted to RMB0.4 million, RMB0.3 million and RMB0.6 million in 2020, 2021 and 2022, respectively, representing 0.02%, 0.01% and 0.01% of our total revenue in 2020, 2021 and 2022, respectively.

As we intend to centralize our sales and marketing business functions, business functions of Hebei Fangzhen were shifted back to Zhejiang Luyuan. Following which, filing for deregistration was made on April 27, 2017 and deregistration was completed on November 12, 2019.

Establishment of Guangdong Luyuan

On March 26, 2013, Guangdong Luyuan was established in the PRC with a registered capital of RMB10,000,000 as part of our share incentive initiative to motivate our employees to work for the benefit of our Group through aligning the interests of our employees with our Group. As of the date of incorporation, Guangdong Luyuan was owned as to 51%, 46% and 3% by Luyuan Holding, Su Bo (director of Shandong Luyuan and Guangxi Luyuan and cousin of Ms. Hu) and Li Song, an Independent Third Party and then an employee of our Group, respectively. As we planned to unify our shares incentive initiatives for our employees and other business partners by adopting share incentive scheme on our Company level and as part of our internal restructuring, on November 7, 2013, Luyuan Holding, Su Bo and Li Song transferred 51%, 46% and 3% equity interest in Guangdong Luyuan, respectively, to Zhejiang Luyuan at a consideration of RMB5,100,000, RMB4,600,000 and RMB300,000, respectively. The aforesaid considerations were determined with reference to the paid-up registered capital being transferred and had been fully settled on November 27, 2013. Following the aforesaid transfers, Guangdong Luyuan was wholly-owned by Zhejiang Luyuan.

Merger of Zhejiang Luyuan and Jinhua Shitong

On July 1, 2013, Jinhua Shitong, the then sole shareholder of Luyuan Holding and wholly-owned subsidiary of Luyuan HK, resolved that Zhejiang Luyuan would acquire and absorb Luyuan Holding. On the same day, Luyuan HK, the then sole shareholder of Jinhua Shitong, resolved that Zhejiang Luyuan would acquire and absorb Jinhua Shitong. Following the Mergers, Luyuan Holding and Jinhua Shitong were deregistered on June 13, 2014 and July 25, 2014, respectively, and Zhejiang Luyuan, being the surviving entity with a registered capital of US$12,000,000, was wholly-owned by Luyuan HK.

Based on the management accounts of Luyuan Holding for the year ended December 31, 2013, (i) total assets of Luyuan Holding amounted to RMB146.4 million as of December 31, 2013, primarily comprise of long term equity investment of RMB133.6 million and cash and other receivables of RMB12.8 million, and (ii) net profit of Luyuan Holding amounted to RMB90.9 million in 2013, primarily comprise of investment return of RMB98.4 million as adjusted by finance cost of RMB6.9 million and administrative fees of RMB0.9 million.

Based on the management accounts of Jinhua Shitong for the year ended December 31, 2013, (i) total assets of Jinhua Shitong amounted to RMB73.5 million as of December 31, 2013, primarily comprise of RMB54.0 million long term equity investment, and cash and other receivables of RMB19.5 million, and (ii) net profit of Jinhua Shitong amounted to RMB42.9 million in 2013, primarily comprise of investment return of RMB42.3 million.

Conversion of Zhejiang Luyuan into a sino-foreign equity joint venture

On June 17, 2015, Luyuan HK, then sole shareholder of Zhejiang Luyuan resolved to increase the registered capital of Zhejiang Luyuan from US$12,000,000 to US$24,500,000 and such contribution shall be made by Zhejiang Hongzi. Zhejiang Hongzi was established in the PRC on April 29, 2015 and wholly-owned by Linyishi Hongzi, a company established in the PRC on April 7, 2015 owned as to 70% by Shandong Luyuan and 30% by Guangdong Luyuan. Following the said capital contribution, Zhejiang Luyuan became a sino-foreign equity joint venture enterprise, which was owned as to 51% by Zhejiang Hongzi and 49% by Luyuan HK.

Establishment of Zhejiang Luyuan Information Technology

On May 28, 2015, Zhejiang Luyuan Information Technology was established as a direct wholly-owned subsidiary of Zhejiang Luyuan principally engaged in the sale of electric vehicles and accessories with a view to delineate our sales functions in Zhejiang from our production functions in Zhejiang to refine our Group structure.

Investment in Hangzhou Guangyang

With an aim to strengthening business collaboration and leveraging the resources available to New Power PPE, one of our strategic and Pre-IPO Investors, on August 7, 2015, Zhejiang Luyuan invested in Hangzhou Guangyang by way of capital injection of RMB3,550,000. Following which, Hangzhou Guangyang was owned as to 50% by New Power PPE, 30% by Zhejiang Luyuan, and 20% by Hangzhou Luda Electric Vehicle Chain Co., Ltd. (杭州綠達電動車連鎖有限公司), an Independent Third Party, and Hangzhou Guangyang became an associated company of our Company.

Acquisition of 100% equity interests in Jinhua Yicheng

With an aim to strengthening our in-house marketing capabilities, on November 16, 2016, Zhejiang Luyuan acquired 100% equity interests in Jinhua Yicheng from Jiang Yuanjie and Zhang Jianjun, each an Independent Third Party, at an aggregate consideration of RMB200,000. The consideration was determined with reference to paid-up registered capital of Jinhua Yicheng and was fully settled on May 31, 2017. Following the aforesaid transfer, Jinhua Yicheng was wholly-owned by Zhejiang Luyuan.

Acquisition of 100% equity interests in and Merger of Linyishi Luling Property Services

On February 9, 2018, with a view to saving rental costs, Shandong Luyuan injected capital of RMB90,000,000 into Linyishi Luling Property Services, Linyishi Luling Property Services was a property holding company which, prior to the said capital injection by Shandong Luyuan, let properties to our Group and was then owned as to 60% by Ms. Hu and as to 40% Yang Jun, an Independent Third Party. The registered capital of Linyishi Luling Property Services increased from RMB10,000,000 to RMB100,000,000, which were held by Ms. Hu, Yang Jun, an Independent Third Party, and Shandong Luyuan as to 6%, 4% and 90%, respectively.

On June 1, 2018, Zhejiang Luyuan Information Technology acquired 6% and 4% equity interest in Linyishi Luling Property Services from Ms. Hu and Yang Jun at a consideration of RMB6,000,000 and RMB4,000,000, respectively, which were determined with reference to the paid-up capital of the equity interests being transferred and was fully settled on June 12, 2018. Following which, Linyishi Luling Property Services was owned as to 90% by Shandong Luyuan and 10% by Zhejiang Luyuan Information Technology.

Pursuant to an agreement entered into between Shandong Luyuan and Linyishi Luling Property Services on September 7, 2019, Shandong Luyuan absorbed and merged Linyishi Luling Property Services, then a property holding company, to facilitate Shandong Luyuan in obtaining the relevant licence for manufacturing motorcycles in mainland China. Following which, on October 10, 2019, Linyishi Luling Property Services was deregistered, and the registered capital of Shandong Luyuan increased from RMB80,000,000 to RMB90,000,000, among which RMB86,148,000, or 95.72%, was held by Zhejiang Luyuan and RMB3,852,000, or 4.28%, was held by Zhejiang Luyuan Information Technology.

Based on the management accounts of Linyishi Luling Property Services for the year ended December 31, 2018, the total assets of Linyishi Luling Property Services as of December 31, 2018 amounted to RMB185.2 million, primarily comprise of value of properties such as staff quarters and factories of RMB175.2 million and value of parcel of lands of RMB9.8 million.

Disposal of Jiangsu Luyuan

On March 28, 2018, as the business performance of Jiangsu Luyuan, a company that was principally engaged in research and development of electric vehicles and sales and distribution of three-wheeled electric vehicles, was unsatisfactory, Zhejiang Luyuan transferred all equity interests in Jiangsu Luyuan to Jiangsu Zongshen Vehicle Co., Ltd (江蘇宗申車業有限公司) ("**Jiangsu Zongshen**"), an Independent Third Party, at an aggregate consideration of RMB148,000,000. The said consideration was determined with reference to the net book value of the net assets of Jiangsu Luyuan. The consideration of RMB100,000,000 had been settled in December 2018. Jiangsu Zongshen subsequently disagreed with the said net book value and thus disputed on the remaining amount of consideration payable. Following the arbitration between Zhejiang Luyuan and Jiangsu Zongshen, parties have agreed that the remaining balance of the consideration for the transfer of all equity interests in Jiangsu Luyuan shall be RMB43,940,000, which shall be settled by Jiangsu Zongshen in two installments in cash. The aggregate consideration of RMB143,940,000 had been fully settled on December 9, 2021. Since then, Jiangsu Luyuan ceased to be a subsidiary of our Group and our Group ceased to have any equity interest in Jiangsu Luyuan.

Based on the audited report of Jiangsu Luyuan for the year ended December 31, 2017 prepared and audited in accordance with the then applicable PRC accounting standards, the total assets of Jiangsu Luyuan as of December 31, 2017 amounted to RMB178.8 million, primarily comprise of net value of fixed assets including properties, plant and equipment and machineries of RMB134.3 million, other receivables of RMB32.5 million and intangible assets of RMB10.3 million.

Establishment of Jiangsu Motor Luyuan and Guangxi Luyuan

On March 18, 2019, Jiangsu Motor Luyuan was established in the PRC as a limited company intended for developing our manufacture and sales of motorcycles and spare parts. As of the date of establishment, Jiangsu Motor Luyuan had a registered capital of RMB20,000,000 and was wholly-owned by Zhejiang Luyuan.

On August 28, 2019, Guangxi Luyuan was established in the PRC as a limited company principally engaged in the production of two-wheeled electric vehicles in Guangxi. As of the date of establishment, Guangxi Luyuan had a registered capital of RMB5,000,000, and was wholly-owned by Zhejiang Luyuan.

Capital Increase in Shandong Luyuan

On November 22, 2019, then shareholders of Shandong Luyuan resolved to increase the registered capital of Shandong Luyuan from RMB90,000,000 to RMB200,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on November 28, 2019. Following the said capital increase, the registered capital of Shandong Luyuan of RMB196,148,000, or 98.074%, was held by Zhejiang Luyuan and RMB3,852,000, or 1.926%, was held by Zhejiang Luyuan Information Technology.

Deregistration of Subsidiaries

We deregistered some entities, which for a certain period of time were intended to contribute, or had contributed, to our Group's development strategically but prior to deregistration no longer had business operations nor holding investments. Our Directors confirm that none of these subsidiaries which were deregistered were subject to material non-compliance or any pending litigation or penalties, and each of these subsidiaries which were deregistered were solvent, prior to their respective deregistration. Set forth below details of such deregistration:

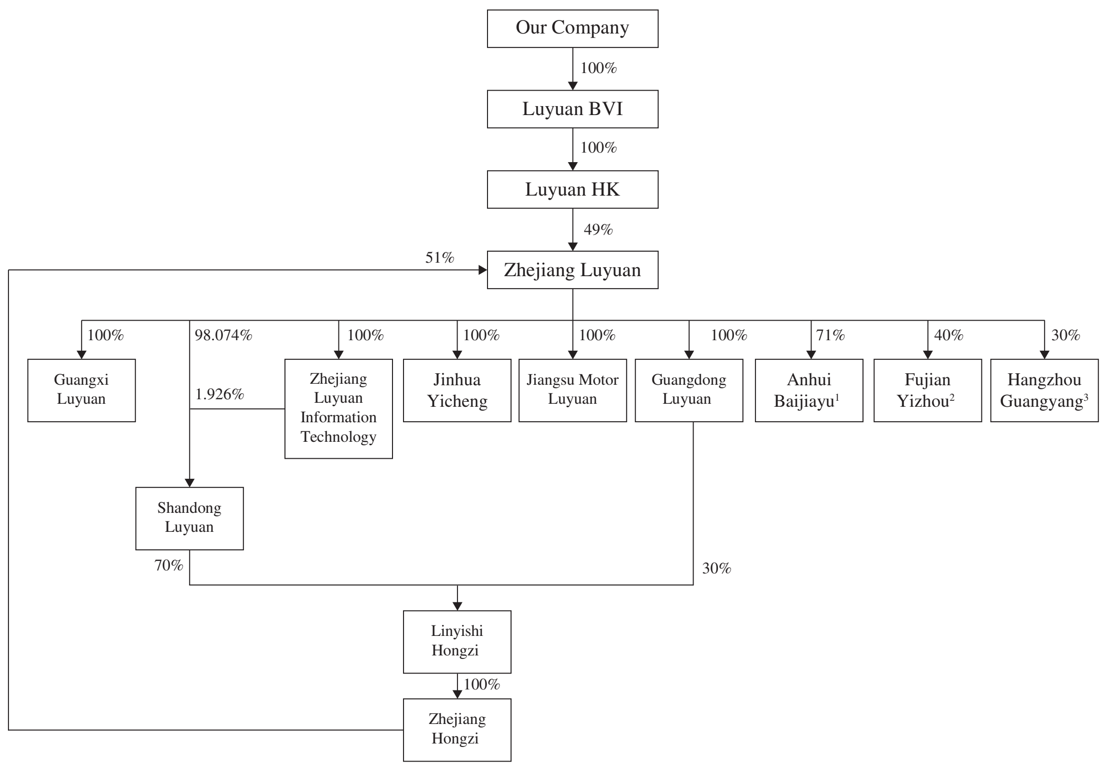
Name of subsidiary deregistered	Principal business	Reason for deregistration	Deregistration date
Jinhua Licheng	Manufacture and sale of electric vehicles accessories	Taking into account the financial performance and business prospect of Jinhua Licheng, shareholders of Jinhua Licheng voluntarily decided to deregister Jinhua Licheng, which was in line with the business plan of our Group.	October 17, 2009

Name of subsidiary deregistered	Principal business	Reason for deregistration	Deregistration date
Zhejiang Power	Research and development and manufacture of batteries	Zhejiang Power was initially set up intended for battery production business as our Group's new business line. Based on the management accounts of Zhejiang Power for the year ended December 31, 2010, Zhejiang Power recorded net loss of RMB2.6 million in 2010 despite it recorded total revenue of RMB71.3 million in 2010, all of which were all derived from sales of battery products. Our Group subsequently decided not to proceed in pursuing battery production business having considered the costs involved in obtaining and maintaining the relevant necessary approvals, licenses and permits.	January 6, 2011
Luyuan Holding	Investment holding	Luyuan Holding had no business operation after the Mergers and immediately prior to the deregistration.	June 13, 2014
Jinhua Shitong	Electricity and heat production and supply	Jinhua Shitong had no business operation after the Mergers and immediately prior to the deregistration.	July 25, 2014
Linyishi Luling Property Services	Property holding	Linyishi Luling Property Services had no business operation after it was merged with Shandong Luyuan and immediately prior to the deregistration.	October 10, 2019
Hebei Fangzhen	Sales and after-sale of electric vehicles and marketing business	As we intend to centralize our sales and marketing business functions, business functions of Hebei Fangzhen were shifted back to Zhejiang Luyuan. Hebei Fangzhen had no business operation thereafter and immediately prior to the deregistration.	November 12, 2019

DEVELOPMENTS SINCE THE COMMENCEMENT OF THE TRACK RECORD PERIOD

During the Track Record Period, our Group continue to grow our business steadily.

Set forth below is our simplified corporate and shareholding structure showing our major subsidiaries and investments in associated companies immediately prior to the Track Record Period:



Notes:

1. The remaining 29% equity interest in Anhui Baijiayu was owned as to 16% by Ge Yigong, 8% by Wang Hongxue (a former employee), 3% by Lin Xianjun and 2% by Qi Ping (a former employee), each an Independent Third Party.

2. The remaining 60% equity interests in Fujian Yizhou was owned as to 28.8% by Chen Pinshou, 27.45% by Lin Pingzai, and 3.75% by Zhang Xiqing, each an Independent Third Party.

3. The remaining 70% equity interests in Hangzhou Guangyang was owned as to 50% by New Power PPE, and 20% by Hangzhou Luda Electric Vehicle Chain Co., Ltd (杭州綠達電動車連鎖有限公司), an Independent Third Party.

To meet the business and corporate needs and growth of our Group, we carried out several corporate actions during the Track Record Period:

Capital Increase in Shandong Luyuan and Zhejiang Luyuan

On June 12, 2020, then shareholders of Zhejiang Luyuan resolved to increase the registered capital of Zhejiang Luyuan from US$24,500,000 to US$53,000,000 and such contribution shall be made by Linyishi Hongzi. Thus, the registered capital of Zhejiang Luyuan increased from US$24,500,000 to US$53,000,000 and the registered capital of Zhejiang Luyuan of US$28,500,000, or 53.78%, was held by Linyishi Hongzi, US$12,500,000, or 23.58%, was held by Zhejiang Hongzi and US$12,000,000, or 22.64%, was held by Luyuan HK.

On June 20, 2020, then shareholders of Shandong Luyuan resolved to increase the registered capital of Shandong Luyuan increased from RMB200,000,000 to RMB400,000,000 and such contribution shall be made by Zhejiang Luyuan, which had been fully settled on June 29, 2020. Following the said capital increase, the registered capital of Shandong Luyuan of RMB396,148,000, or 99.037%, was held by Zhejiang Luyuan and RMB3,852,000, or 0.963%, was held by Zhejiang Luyuan Information Technology.

Deregistration of Anhui Baijiayu

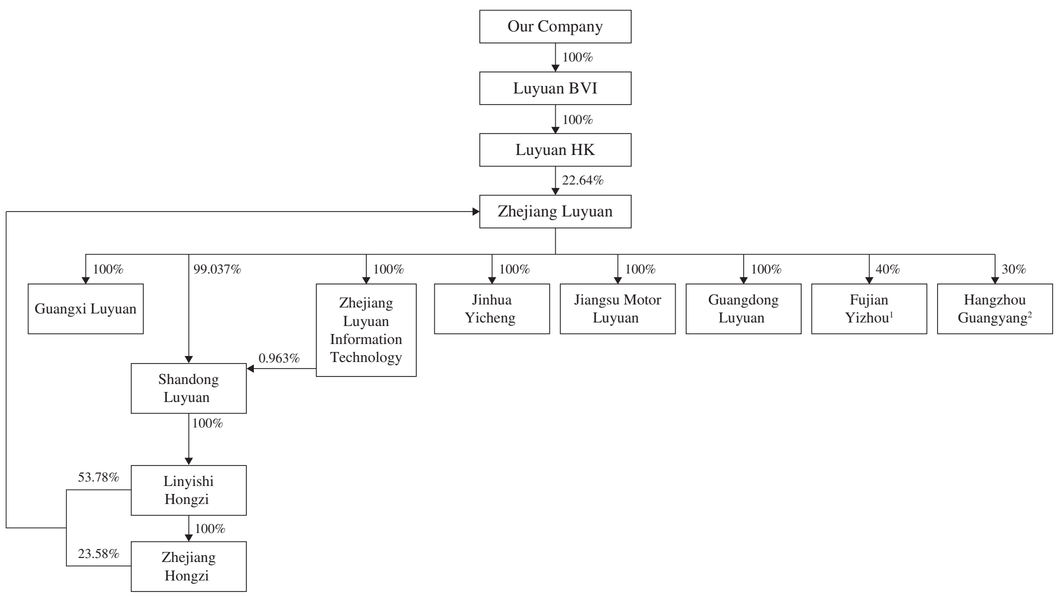
As the development of Anhui Baijiayu did not achieve our intended results in motivating our local business partners by way of share incentives, the business of Anhui Baijiayu, a company established in the PRC which was principally engaged in sale of electric vehicles and accessories, was shifted to Zhejiang Luyuan Information Technology. Anhui Baijiayu, which had no business operation immediately prior to its deregistration, was deregistered on June 4, 2020. Our Directors confirm that Anhui Baijiayu was not subject to material non-compliance or any pending litigation or penalties during the Track Record Period and until the date of its deregistration.

Reorganization of Linyishi Hongzi

Guangdong Luyuan transferred 30% equity interests in Linyishi Hongzi to Shandong Luyuan at an aggregate consideration of RMB600,000 pursuant to an equity transfer agreement dated May 5, 2020. The consideration was determined with reference to registered capital of Linyishi Hongzi being transferred and had been fully settled on May 7, 2020. Following which, Linyishi Hongzi was wholly-owned by Shandong Luyuan.

REORGANIZATION

Set forth below is our corporate and shareholding structure immediately prior to the Reorganization:



Notes:

1. The remaining 60% equity interests in Fujian Yizhou was owned as to 28.8% by Chen Pinshou, 27.45% by Lin Pingzai, and 3.75% by Zhang Xiqing, each an Independent Third Party.

2. The remaining 70% equity interests in Hangzhou Guangyang was owned as to 50% by New Power PPE, and 20% by Hangzhou Luda Electric Vehicle Chain Co., Ltd (杭州綠達電動車連鎖有限公司), an Independent Third Party.

3. During the Track Record Period, we held equity interests in two subsidiaries which we consider to be immaterial to our Group in terms of its revenue contribution and development of our Group: (i) Luyuan Technology Holding (Zhejiang) Co., Ltd (綠源科技控股(浙江)有限公司), which was established on December 7, 2021 with no business operations and wholly-owned by Luyuan HK and (ii) LYVA COMPANY LIMITED, which was principally engaged in manufacture and sale of electric vehicles and accessories. With a view to explore the market potential and business opportunities in Vietnam, we incorporated LYVA COMPANY LIMITED in 2015. In the first few years after its incorporation, we commenced our business operations in Vietnam in a gradual and prudent manner with limited business scale. For the year ended December 31, 2020, LYVA COMPANY LIMITED recorded revenue of RMB4.9 million only with a net loss of 2.1 million, based on its management accounts for the same period. Following the global outbreak of COVID-19 and due to its unsatisfactory business performance, LYVA COMPANY LIMITED ceased its manufacturing operations since April 2021 and its business activity was only limited to sales of unsold electric vehicles and accessories while searching for a suitable buyer. Based on the unaudited management accounts of LYVA COMPANY LIMITED, for the year ended December 31, 2021 and for the period ended September 26, 2022 (the date of disposal), LYVA COMPANY LIMITED recorded revenue of RMB0.8 million and RMB0.7 million, respectively, and recorded net loss of RMB1.6 million and RMB0.4 million, respectively. We ceased to hold any equity interest in LYVA COMPANY LIMITED in September 2022 following our disposal of all equity interests in LYVA COMPANY LIMITED to Trinh Huyen Chang, an Independent Third Party, at an aggregate consideration of VND100,000,000 (equivalent to RMB28,800). The consideration was determined taking into account the cash in hand and the number of sales channels then available to LYVA COMPANY LIMITED. The consideration had been settled in full in September 2022. For details of the principal activities of and shareholding of our Group in the two said subsidiaries during the Track Record Period, see Note 11 in Accountants' Report as set out in Appendix I.

Shareholders' Reorganization

On June 10, 2022, Ms. Ni, as trustee, returned all shares in Best Expand to the beneficiaries, Mr. Ni and Ms. Hu, in equal shares at nil consideration. On the same day, Mr. Ni agreed to transfer all shares in Apex Marine to Ms. Hu and Ms. Hu agreed to transfer all shares in Drago Investments to Mr. Ni, each at nil consideration.

Upon completion, (i) Best Expand was owned by Mr. Ni and Ms. Hu in equal shares, (ii) Apex Marine was wholly-owned by Ms. Hu, (iii) Drago Investments was wholly-owned by Mr. Ni and (iv) Ms. Ni ceased to be a registered shareholder of our Company.

Onshore Reorganization

In preparation for Listing, we have undertaken several onshore reorganization steps to refine our Group structure:

Reorganization of Zhejiang Luyuan

On December 23, 2021, considering that Zhejiang Luyuan was eligible to apply for relevant licence for manufacturing motorcycles in mainland China, as a wholly foreign-owned company in mainland China, shareholders of Zhejiang Luyuan resolved to reduce the capital of Zhejiang Luyuan from US$53,000,000 to US$12,000,000. Upon completion, on February 28, 2022, Linyishi Hongzi and Zhejiang Hongzi ceased to hold any direct equity interest in Zhejiang Luyuan, and Zhejiang Luyuan was wholly-owned by Luyuan HK. As Linyishi Hongzi and Zhejiang Hongzi were investment holding companies without substantial business operations, they were subsequently deregistered on June 29, 2022 and June 23, 2022, respectively.

Acquisition of Ludong (Jinhua) by Zhejiang Luyuan

Pursuant to an equity transfer agreement entered into between Jinhua Luyuan and Zhejiang Luyuan dated December 31, 2021, all equity interest in Ludong (Jinhua), a company established solely for holding properties, were transferred from Jinhua Luyuan, a company established in the PRC with limited liability and then owned as to 95% by Mr. Ni and 5% by Ms. Ni, to Zhejiang Luyuan in order to increase the land reserves available to Zhejiang Luyuan to enhance our production capabilities in Zhejiang, at an aggregate consideration of RMB37,088,611.2. The aforesaid consideration was determined based on valuation of the properties held by Ludong (Jinhua) conducted by independent valuer and had been fully settled by June 8, 2022.

Disposal of Fujian Yizhou and Hangzhou Guangyang

In 2022, we disposed our interests in associated companies whose business performance was unsatisfactory. On February 28, 2022, Zhejiang Luyuan transferred registered capital of RMB6,000,000, representing 40% equity interest of Fujian Yizhou, to Lin Pingzai at an aggregate consideration of RMB6,000,000. Fujian Yizhou was a Fujian-based company principally engaged in the research and development, production and sales of electric bicycles, motors, batteries and accessories. The consideration of RMB6,000,000 was determined with reference to the paid-up registered capital being transferred and has been fully settled on June 29, 2022. Besides, based on the valuation using asset-based approach and applicable asset valuation standards in the PRC conducted by an independent valuer who is a member of China Institute of Real Estate Appraisers and Agents (中國房地產估價師與房地產經紀人學會) , the value of Fujian Yizhou as of December 31, 2021 was RMB14.3 million, which was attributable to the appraised total assets of RMB38.3 million, which primarily comprise of (i) fixed assets of RMB20.7 million and (ii) intangible assets (primarily consist of the right to use landed property) of RMB14.5 million, as adjusted by the appraised total liabilities of RMB24.0 million. As Fujian Yizhou was an associated company of our Group and was accounted as share of results in associates and investment in associates in our Group's income statement and balance sheet, respectively, the disposal gain from the said disposal of 40% equity interests in Fujian Yizhou of RMB6,000,000 was calculated by the consideration of RMB6,000,000 minus the face value of our investment in Fujian Yizhou of RMB0. The face value of our investment in Fujian Yizhou was RMB0 based on equity method because Fujian Yizhou had been suffering loss before 2019, thus full impairment had been made in respect of the Group's investment in Fujian Yizhou before 2019. Lin Pingzai was a local distributor of our Group and an Independent Third Party. During the Track Record Period, revenue attributable to Lin Pingzai amounted to RMB47.7 million, RMB119.0 million and RMB189.0 million in 2020, 2021 and 2022, respectively, representing 2.0%, 3.5% and 4.0% of our total revenue in 2020, 2021 and 2022, respectively. The disposal of equity interests in Fujian Yizhou was entered into by our Group based on arm's length negotiation and on normal commercial terms. Although Fujian Yizhou had been suffering loss prior to 2019, as of December 31, 2021, the appraised value of Fujian Yizhou amounted to RMB14.3 million as Fujian Yizhou held non-current assets including fixed assets of RMB20.7 million and intangible assets of RMB14.5 million based on the valuation conducted on asset-based approach by independent valuer. In consideration of the appraised value of RMB14.3 million of Fujian Yizhou based on the valuation conducted, Lin Pingzai agreed to acquire the 40% equity interests in Fujian Yizhou from our Group. Following such transfer, Fujian Yizhou was owned as to 67.45% by Lin Pingzai, 28.8% by Chen Pinshou and 3.75% by Zhang Xiqing and our Group ceased to hold any equity interest in Fujian Yizhou.

On June 30, 2022, Zhejiang Luyuan entered into an equity transfer agreement to transfer the registered capital of US$738,000, representing 30% equity interest of Hangzhou Guangyang, to Zhu Liangjun, a former employee of our Group and an Independent Third Party, at an aggregate consideration of RMB840,000. Hangzhou Guangyang was a company established in the PRC which was principally engaged in manufacture and sale of electric vehicles and accessories. The consideration of RMB840,000 was determined with reference to the net asset value of Hangzhou Guangyang as of March 31, 2022 and had been fully settled on November 9, 2022. Following the transfer, our Group ceased to hold any equity interests in Hangzhou Guangyang.

Establishment of Zhejiang Luyuan International Trade

On March 22, 2022, Zhejiang Luyuan International Trade was established in the PRC as a wholly-foreign owned enterprise with a registered capital of RMB10,000,000. Zhejiang Luyuan International Trade was set up as our operating entity for expanding our new international trade business. At the time of establishment and as of the Latest Practicable Date, Zhejiang Luyuan International Trade is wholly-owned by Zhejiang Luyuan.

Deregistration of certain subsidiaries

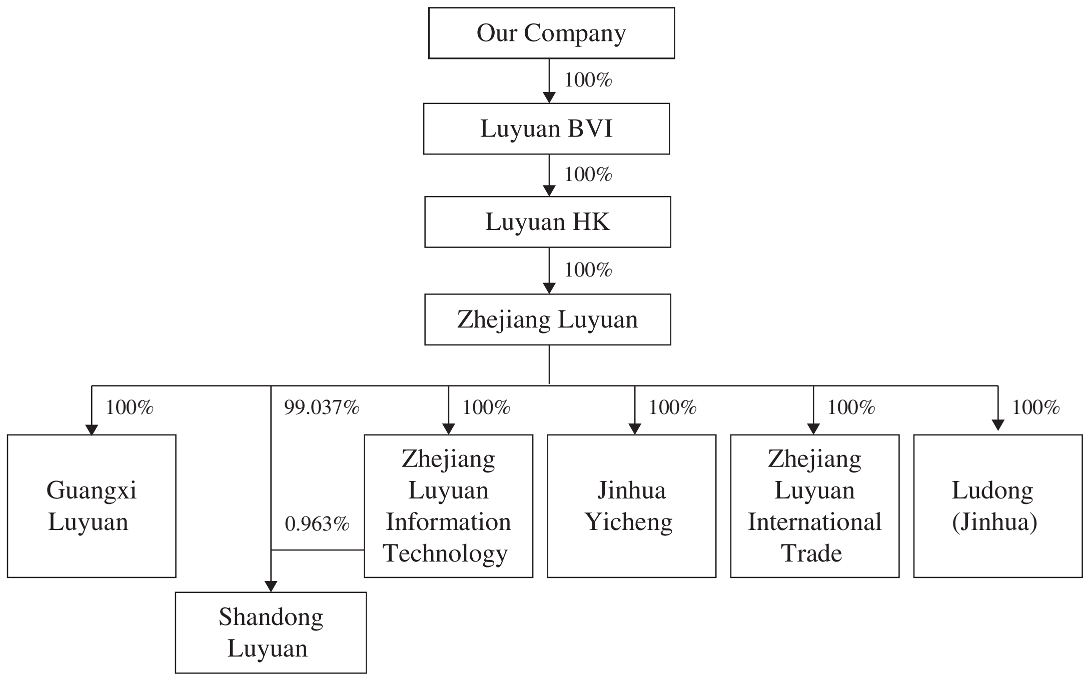
Following reorganization steps referred to above, we deregistered some entities, most of which no longer had business operations nor holding investments. Our Directors confirm that none of these subsidiaries which were deregistered were subject to material non-compliance or any pending litigation or penalties, and each of these subsidiaries which were deregistered was solvent, during the Track Record Period and until the date of their respective deregistration. Set forth below details of such deregistration:

Name of subsidiary deregistered	Principal business	Reason for deregistration	Deregistration date
Linyishi Hongzi	Investment holding	Linyishi Hongzi was originally incorporated for investment holding purpose. Following reorganization of Zhejiang Luyuan, it had no business operations and was not holding any investment immediately prior to the deregistration.	June 29, 2022
Zhejiang Hongzi	Investment holding	Zhejiang Hongzi was originally incorporated for investment holding purpose. Following reorganization of Zhejiang Luyuan, it had no business operations and was not holding any investment immediately prior to the deregistration.	June 23, 2022

Name of subsidiary deregistered	Principal business	Reason for deregistration	Deregistration date
Jiangsu Motor Luyuan	Manufacture of electric vehicles and accessories	Jiangsu Motor Luyuan was initially set up with a focus on manufacturing and sales of motorcycles and spare parts. As the development of our manufacture and sales of motorcycles and spare parts did not proceed as intended, we strategically decided not to continue pursue businesses of manufacture and sales of motorcycles and spare parts and centralize our resources for the growth and development of our two-wheeled electric vehicle business. Jiangsu Motor Luyuan had no substantial business operation immediately prior to its deregistration.	February 18, 2022
Guangdong Luyuan	Manufacture of electric vehicles and accessories	The production by Guangdong Luyuan was shifted to Guangxi Luyuan to save costs. Thus, Guangdong Luyuan had no business operation immediately prior to the deregistration.	March 30, 2023

To the best knowledge of our Directors, none of the subsidiaries and associated companies disposed or deregistered by us as disclosed in this section was (i) subject to material non-compliance or any pending litigation or penalties prior to its respective disposals or deregistration which would have a material adverse impact on the financial results and operations of our Group, (ii) insolvent and unable to pay its debts despite Nanjing Luyuan and LYVA COMPANY LIMITED recorded net liabilities for the year ended December 31, 2010 and December 31, 2021, respectively. To the best knowledge of our Directors, our Directors were not aware of (i) any petition or order for the winding-up of Nanjing Luyuan or LYVA COMPANY LIMITED, (ii) any receiver or manager to take control or possession of any part of Nanjing Luyuan or LYVA COMPANY LIMITED's assets or undertakings and (iii) any proposal or scheme of compromise or arrangement with any of its creditors prior to our disposal of equity interests in Nanjing Luyuan or LYVA COMPANY LIMITED. Besides, as advised by the PRC Legal Advisors, no material non-compliance incidents in relation to the disposal or deregistration of the mainland China subsidiaries and associated companies disposed or deregistered by us during the Track Record Period as disclosed in this section had been revealed.

Set forth below is our corporate and shareholding structure immediately after the Reorganization and as of the Latest Practicable Date:



Note: Luyuan Technology Holding (Zhejiang) Co., Ltd. (綠源科技控股(浙江)有限公司) was established in the PRC on December 7, 2021 with no business operations and is wholly-owned by Luyuan HK.

SHARE SCHEME

We adopted the Pre-IPO Share Scheme in July 2023 as a means of attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to our Directors, employees and service providers to promote the success of the Company.

Since the adoption of the Pre-IPO Share Scheme, we had granted options to a total of 108 eligible participants, including 14 Directors, senior management or connected persons of our Company and 94 other employees of our Group to acquire in aggregate of 1,673,600 Shares, or 16,736,000 Shares (as adjusted in accordance with the terms of the Pre-IPO Share Scheme upon the Capitalization Issue), representing 3.92% of the total number of Shares in issue immediately after the Global Offering. No share awards have been granted under the Pre-IPO Share Scheme since the adoption of the Pre-IPO Share Scheme. Under the terms of the Pre-IPO Share Scheme, no share options or share awards may be granted upon or after Listing.

On July 20, 2023, Best Expand transferred 1,673,600 Shares to Yuan V Holdings Limited (“**Pre-IPO Incentive Platform**”, a trust company wholly-owned by a trust in which our Company is the settlor, Futu Trustee Limited acts as trustee and the beneficiaries are grantees of the Pre-IPO Share Scheme) at nil consideration for the purpose of settling options when exercised under the Pre-IPO Share Scheme. As of the Latest Practicable Date, none of the options were exercised. No new Shares will be issued upon vesting or exercise of the options.

For further information about the Pre-IPO Share Scheme, see “Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme” in Appendix IV.

PRE-IPO INVESTMENTS

Investment by Shipston

Pursuant to a share purchase agreement dated June 11, 2011 entered into between Best Expand as seller, Shipston as purchaser, Drago Investments as guarantor and Mr. Ni as founder (the "**Shipston Share Purchase Agreement**"), Best Expand agreed to sell and Shipston agreed to purchase 80 shares of a par value of US$1.00 each, representing not less than 8% of the total issued share capital of our Company.

Investment by New Healthcare PPE and New Power PPE and Subsequent Repurchase

Pursuant to a share subscription agreement dated April 22, 2015 entered into between our Company, New Healthcare PPE and New Power PPE ("**New Healthcare and New Power Subscription Agreement**"), New Healthcare PPE and New Power PPE agreed to subscribe, and our Company agreed to issue to New Healthcare PPE and New Power PPE, 1,017,961 Shares and 1,542,039 Shares, representing, approximately 2.95% and 4.46% of the total issued Shares of our Company immediately after completion of the New Healthcare and New Power Subscription Agreement.

On September 3, 2018, all Shares issued to New Healthcare PPE and New Power PPE were repurchased by our Company at a consideration of US$5,154,454.8 and US$7,813,800, respectively. As of the Latest Practicable Date, New Healthcare PPE and New Power PPE did not hold any Shares. See "— Early Development and Evolution — Offshore Development — Introduction of Strategic Investors."

Principal terms of the Pre-IPO Investments are set out below:

	Investment by Shipston	Investment by New Healthcare PPE and New Power PPE
Amount of consideration paid:	US$6,067,192	RMB66,406,400 (equivalent to approximately US$10,811,500)
Basis of determination of consideration:	The consideration paid by Shipston was determined based on an arm's length basis as a result of negotiations among the parties and was determined with reference to the financial results of Luyuan Holding for the financial years ended December 31, 2010 multiplied by a pre-determined fixed return ratio.	The consideration paid by New Healthcare PPE and New Power PPE was determined based on an arm's length basis as a result of negotiations among the parties and was determined with reference to the audited net profit of our Group for the financial year ended December 31, 2013 multiplied by a pre-determined fixed return ratio.

	Investment by Shipston	Investment by New Healthcare PPE and New Power PPE
Payment date:	June 27, 2011	June 26, 2015
Cost per Share:	US$0.2	US$0.4
Discount to the Offer Price:[1]	73.5%	52.8%
Aggregate shareholding in the Company immediately after the investment:	8.0%	7.41%
Shareholding in the Company immediately after the Global Offering:	6.0%	Not applicable.
Strategic benefits to the Company:	Our Group was of the view that through introduction of Shipston, a professional and institutional investor, we can take advantage of the knowledge and experience of Shipston while broadening our shareholder base. Moreover, our Directors were also of the view that our Company could benefit from the investment of Shipston as its investment demonstrated its confidence in the operations of our Company and served as an endorsement of our Company's performance, strengths and prospects.	Our Group was of the view that through introduction of New Healthcare PPE and New Power PPE, we can leverage the resources and business networks of New Healthcare PPE and New Power PPE that favours the image and brand building of our Group conducive to the future growth and development of our Group.
Lock-up:	Shipston has undertaken not to transfer any Shares it holds for a period of six months following the completion of the Global Offering.	Not applicable.
Use of proceeds:	As the Pre-IPO Investment by Shipston was effected by way of equity transfer between Best Expand and Shipston, the consideration was paid to Best Expand and no proceeds were received by our Group.	The proceeds had been fully utilised for payment to New Healthcare PPE and New Power PPE for repurchase of the Shares by our Company on September 3, 2018.

Note:

(1) Based on the mid-point Offer Price range.

Pursuant to the Shipston Share Purchase Agreement, Shipston is, subject to certain limitations, entitled to certain special rights including (i) rights to receive periodic financial and other information, (ii) right to designate one individual for election or appointment as Director; (iii) veto rights on certain significant corporate matters, (iv) pre-emptive right with respect to certain securities issuance by our Company, (v) rights of first refusal or co-sale with respect to transfer Shares by existing Shareholders and (vi) a put option to require Mr. Ni to purchase Shares held by Shipston at an annual yield of 20.0% at any time before the earlier of June 11, 2012 or the initial public offering of our Company, which was not exercised by Shipston during the validity period and has lapsed. All subsisting special rights will terminate on the Listing Date.

Pursuant to the New Healthcare and New Power Subscription Agreement, New Healthcare PPE and New Power PPE shall have the right to nominate jointly one Director. As New Healthcare PPE and New Power PPE are no longer shareholders of our Company, such right is no longer valid. See also "— Early Development and Evolution — Offshore Development — Introduction of Strategic Investors."

Information about Pre-IPO Investors

Shipston

Shipston is an investment holding company incorporated in the Turks and Caicos Islands and is wholly-owned by Shipston Group Limited. Shipston Group Limited is wholly-owned by Mr. David R. Dingman, our non-executive Director. It is an international investment firm incorporated in the Republic of Liberia which has held a diverse portfolio of investments in the United States, Eastern Europe, Australia and China. Shipston has extensive experience generating and leading investments through acquisitions, initial public offerings and complex corporate transactions that involve transforming operating units into new public ownership structures.

New Healthcare PPE

New Healthcare PPE is a company established in the PRC with limited liability on December 18, 2013. Based on information publicly available, the largest single shareholder holding 48% equity interests in New Healthcare PPE is Kwang Yang Holdings Limited, a company incorporated in the BVI and none of the remaining four shareholders hold more than 30% equity interests in New Healthcare PPE. To the best knowledge of the Directors, as of the time New Healthcare PPE subscribed shares in our Company, New Healthcare PPE was controlled by Kwang Yang, a motorcycle manufacturer in Taiwan founded in 1963 and an Independent Third Party.

New Power PPE

New Power PPE is a company established in the PRC with limited liability on March 22, 2012. Based on information publicly available, New Power PPE in the process of liquidation as of the Latest Practicable Date. To the best knowledge of the Directors, as of the time New Power PPE subscribed shares in our Company, New Power PPE was principally held (i) as to 46.875% by Kwang Yang Holdings Limited, a company incorporated in the BVI and controlled by Kwang Yang, a motorcycle manufacturer in Taiwan founded in 1963 and (ii) as to 20% by Zhejiang Province Venture Capital Guidance Fund Management Co. Ltd (浙江省創業風險投資引導基金管理有限公司), a company established in the PRC and controlled by Zhejiang Provincial Department of Finance, each an Independent Third Party.

As Shipston is ultimately wholly-owned by Mr. David R. Dingman, our non-executive Director, Shipston is a core connected person of our Company. As each of New Healthcare PPE and New Power PPE is no longer a shareholder of our Company, none of New Healthcare PPE and New Power PPE will be a connected person of our Company upon Listing.

Public Float

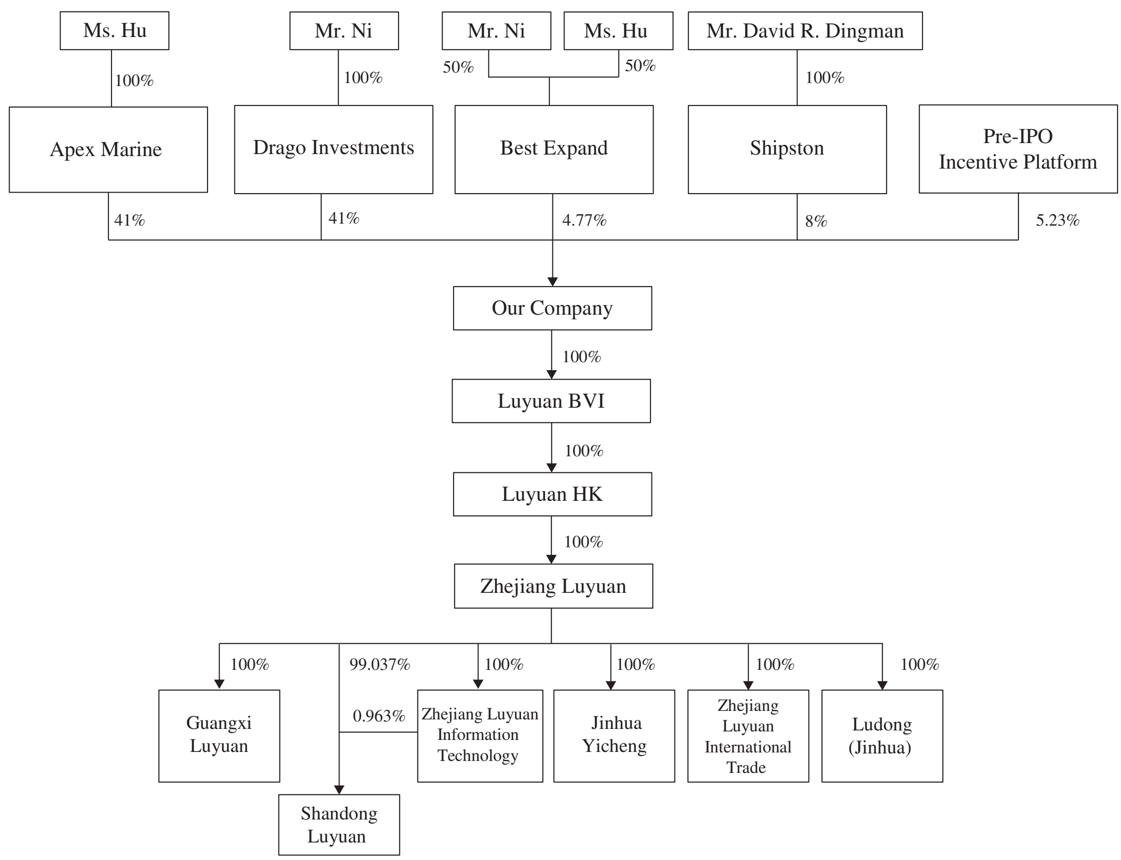
As of the Latest Practicable Date, Mr. Ni, Ms. Hu, Apex Marine, Drago Investments, Best Expand, Mr. David R. Dingman, Shipston and Pre-IPO Incentive Platform (of which the beneficiaries include Mr. Chen Guosheng, our executive Director, 11 connected persons of our Company, two senior management and 94 other employees of our Group), are core connected persons of our Company and the Shares they held in our Company will not be counted as part of the public float.

Compliance with Interim Guidance and Guidance Letters

Based on the documents provided by our Company relating to the Pre-IPO Investment, the Sole Sponsor confirms that the Pre-IPO Investment are in compliance with (i) the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on October 13, 2010 and the Guidance Letter HKEX-GL29-12 reproducing the same issued by the Stock Exchange in January 2012 and updated in March 2017; (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

CORPORATE STRUCTURE

Set forth below is our corporate and shareholding structure immediately prior to the Capitalization Issue and the Global Offering (assuming the options or awards granted under the Pre-IPO Share Scheme are not vested or exercised):

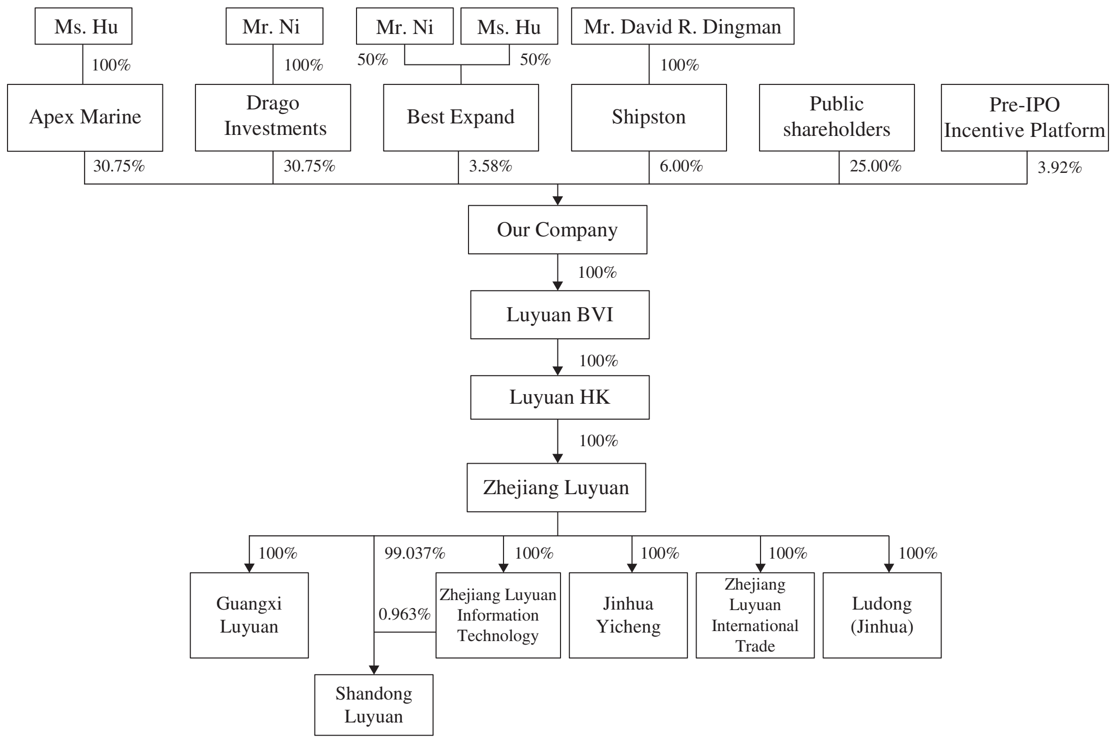


Note: Luyuan Technology Holding (Zhejiang) Co., Ltd. (綠源科技控股(浙江)有限公司), a limited company established in the PRC with no business operation and is a wholly-owned subsidiary of Luyuan HK.

Capitalization Issue

Pursuant to the written resolutions of our Shareholders passed on August 21, 2023, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to capitalize an amount of US$28,800 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 288,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company.

Set forth below is our corporate and shareholding structure immediately after the Capitalization Issue and the Global Offering (assuming the options or awards granted under the Pre-IPO Share Scheme are not exercised):



Note: Luyuan Technology Holding (Zhejiang) Co., Ltd. (綠源科技控股(浙江)有限公司), a limited company established in the PRC with no business operation and is a wholly-owned subsidiary of Luyuan HK.

COMPLIANCE

Our PRC Legal Advisors confirmed that the share transfers, acquisitions and disposals in respect of the PRC companies in onshore Reorganization as described above have complied with relevant applicable PRC laws and regulations in all material respects.

SAFE REGISTRATION

Pursuant to the SAFE Circular 75 (which has been repealed by SAFE Circular 37), the mainland China resident must register with the local branch of SAFE before incorporating or acquiring control of an offshore special purpose vehicle (the "**Overseas SPV**"), with assets or equity interests in an offshore company located in mainland China, for the purpose of offshore equity financing and to update or amend the registration upon any material change of shareholding or any other material capital alteration in such Overseas SPV. Pursuant to the SAFE Circular 37, the mainland China resident must register with the local branch of SAFE before incorporating or acquiring control of an Overseas SPV, with assets or equity interests in an offshore company located in mainland China, for the purpose of offshore equity financing or financing. Where a significant matter occurs such as a capital increase/decrease or equity transfer/replacement by a domestic resident individual, the foreign exchange modification registration procedure for foreign investment shall be undertaken with the local branch of SAFE in a timely manner. Pursuant to the Circular of SAFE on Further Simplification and Improvement Policies in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) issued by SAFE and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of SAFE.

Our PRC Legal Advisors have confirmed that each of Mr. Ni and Ms. Hu, being mainland China residents, had completed the original SAFE registrations in respect of his/her investment in our Group in accordance with SAFE Circular 75 on September 17, 2012, and have completed the SAFE registrations in respect of his/her investment in our Group in accordance with SAFE Circular 37 on September 29, 2022.

CSRC FILING

Pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Trial Measures**") and five supporting guidelines, released by the CSRC on February 17, 2023, which came into effect on March 31, 2023, domestic companies that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Pursuant to the Trial Measures, any overseas offering and listing made by an issuer that meets both of the following conditions will be deemed as indirect overseas offering and listing that should be filed with the CSRC: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the key aspects of the issuer's business activities are conducted in mainland China, or its main places of operations are located in mainland China, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC.

Given that our domestic operating entities generated a substantial amount of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2022 and that our business activities are mainly conducted in the PRC, as advised by our PRC Legal Advisors, we are required to go through the filing procedures with the CSRC with respect to the Global Offering and CSRC has issued the filing notice in respect of the Global Offering dated July 5, 2023.

PROPOSED LISTING IN THE UNITED STATES

On September 30, 2011, we filed a registration statement on Form F-1 with the U.S. Securities and Exchange Commission in relation to our proposed initial public offering in the United States (the "**Proposed U.S. Listing**"). In view of the market conditions and sentiments at the material time, we discontinued the application for the Proposed U.S. Listing in April 2012 and terminated our Proposed U.S. Listing process as we explored and considered listing on the Stock Exchange.

To the best knowledge of our Directors, our Directors are not aware of any other material matters relating to the Proposed U.S. Listing which shall be brought to the attention of the Stock Exchange, Shareholders or potential investors to form an informed assessment of our Company. Based on the foregoing and the due diligence conducted by the Sole Sponsor, the Sole Sponsor concurred with the Directors that they are not aware of any other material matters relating to the Proposed U.S. Listing which shall be brought to the attention of the Stock Exchange.

OVERVIEW

We are an electric two-wheeled vehicle provider in mainland China, focusing on the design, research and development, manufacturing and selling of electric two-wheeled vehicles. According to Frost & Sullivan, we were the fifth largest manufacturer of electric two-wheeled vehicles in mainland China in terms of total revenue in 2022, with a market share of 4.2%.

We have built an offline sales and distribution network and embraced informatization and established online retail channels, continuously improving the penetration and coverage of our products. As of April 30, 2023, we had over 1,300 distributors covering over 11,400 point-of-sales in mainland China. Our *Luyuan* brand is a well-known brand in the industry, and we participated in developing industrial standards. With our great emphasis on product quality, we continue to expand the breadth and depth of cooperation with distributors, suppliers and commercial customers, seizing the opportunities of standardized and large-scale development of the industry brought by the implementation of the New National Standards and the booming shared mobility industry.

Our headquarters is located in Jinhua, Zhejiang Province and comprises our principal office buildings, our product research and development center and our Zhejiang production plant. Apart from our Zhejiang Plant, we have two other production plants located in Shandong and Guangxi. As of December 31, 2022, our annual production capacity of electric two-wheeled vehicles was approximately 3.3 million units. Through our continuous investment in upgrading our production equipment, we strive to bring products with controllable product quality to consumers to further improve our brand image, while maintaining our scale advantage.

We attach great importance to upgrading our products and developing relevant technologies. Our core technologies cover key components of electric two-wheeled vehicles such as motors, controllers, batteries and chargers. Technological development and progress have significantly improved the service life and safety level of our electric two-wheeled vehicles. In May 2022, we extended the warranty period for certain parts and components of our vehicles, including the liquid-cooled motors, highly crafted vehicle frames and front forks and rear flat forks, to ten years. In terms of technological research and development, we focused on areas with strong growth potential such as lithium-ion battery safety and electric two-wheeled vehicles with smart functions. As of the Latest Practicable Date, we held a total of 437 patents in mainland China, of which 46 were invention patents, 251 were utility model patents and 140 were design patents.

During the Track Record Period, we achieved strong growth. Our revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022, representing a CAGR of 41.8%. Our revenue increased by 42.1% from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the same period in 2023. However, given the increasing competition and slower growth in the electric two-wheeled vehicles industry, we may not be successful in maintaining the high historical growth of our business. For a relevant risk factor, see "Risk Factors – Risks Relating to Our Business and Industry – We may not be successful in maintaining the growth and profitability of our business".

STRENGTHS

We are a well-known electric two-wheeled vehicle brand that has continuously contributed to industry development.

Our *Luyuan* brand has over 20 years of history in the electric two-wheeled vehicle industry in mainland China. Since our inception, we have been committed to promote the development of the industry and has made remarkable contributions to the development of the electric two-wheeled vehicle industry in mainland China, including:

(i) in 2004, we introduced EABS electromagnetic braking system, high-efficiency energy recycling technology and positive and negative ampere meter technology, which essentially equips electric two-wheeled vehicles with unique technologies;

(ii) in 2005, we introduced magnetic code anti-theft motor lock technology to enhance the vehicles' anti-theft performance and alleviating one of the major obstacles to potential users' consumption;

(iii) in 2008, we led the industry in introducing over 30 welding robots to the production process of electric two-wheeled vehicles, which significantly improved the quality of vehicle frame welding;

(iv) in 2013, we successfully applied dynamic Internet of vehicles (動態車聯網) technology into practice. In the same year, the fifth generation of our charging technology made progress in addressing the decline of battery life caused by charging problems, which significantly increased driving range and battery life;

(v) in 2015, we introduced core child safety technologies, such as child lock activation and socket protection, which gradually became industry standard;

(vi) since 2017, we launched three major systems with smart functions regarding safety, battery life and anti-theft systems. In this process, we have achieved comprehensive upgrade and iteration of our electric two-wheeled vehicles. Our liquid-cooled motor and ceramic brakes also demonstrate our dedication in research and development. For details of these two technologies, see "– We continuously invest in research and development capabilities in core technologies" below; and

(vii) in 2018, we were one of the only two manufacturers among the main drafting parties of the New National Standards. The New National Standards have significantly improved standardization of electric bicycles and put forward higher requirements on product safety. In addition, the New National Standards significantly accelerated the consolidation process of mainland China's electric two-wheeled vehicle industry. While at its peak, mainland China had around 2,000 electric two-wheeled vehicle manufacturers, the number fell to only around 100 as of 2021 that could meet the requirements of the New National Standards and are qualified to manufacture electric motorcycles and electric mopeds. In this context, the electric two-wheeled vehicle industry has entered the stage of industry consolidation, and manufactures with robust technological strength and production capacity are expected to enjoy a competitive advantage.

We have formed our unique brand image and core competitiveness by always focusing on our *Luyuan* brand and devoting efforts to produce safe, reliable and hassle-free electric two-wheeled vehicles for our customers. Over the years, *Luyuan* has become a well-known brand in mainland China's electric two-wheeled vehicles market, with high visibility, reputation and customer loyalty. We were awarded five-star authentication under the National Standard for Consumer Product Customer Service Evaluation (《商品服務售後評價體系》) GB/T27922-2011 by the Evaluation of Compliance Certification Review Committee for National Commodity After-sales Service (全國商品售後服務評價達標認證評審委員會) and Beijing Sky Certification Center (北京五洲天宇認證中心) and were also awarded five-star brand under the National Standard for Evaluation of Business Enterprise Brand and Guide of Enterprise Culture Construction (《商業企業品牌評價與企業文化建設指南》) GB/T27925-2011 by Beijing Sky Certification Center (北京五洲天宇認證中心). We have been recognized by China National Light Industry Council (中國輕工業聯合會) as Top 10 Enterprises of China's Electric Bicycle Industry (中國電動自行車行業十強企業). We have also been awarded Well-known Trademark in China (中國馳名商標) and Famous Brand Product of Zhejiang Province (浙江名牌產品). We believe these recognitions fully demonstrate our position in the industry.

As carbon-neutral strategies and green mobility policies continue to be implemented worldwide, the phase-out of traditional motorcycles will accelerate and demand for electric two-wheeled vehicles will continue to grow. In particular, there is great development space for premium electric two-wheeled vehicle products (with manufacturer suggested retail price of over RMB3,500). According to Frost & Sullivan, the premium segment of the electric two-wheeled vehicles market is expected to be more popular among consumers and thus gain stronger growth momentum with a CAGR of 27.6% from 1.7 million units in 2023 to 4.5 million units in 2027. In addition, affected by the COVID-19 pandemic, more consumers choose electric two-wheeled vehicles over public transportation for commuting. The development of the on-demand delivery market led by China and ASEAN countries will also stimulate the demand for electric two-wheeled vehicles. Under this background, we will further leverage our advantages to achieve rapid and sustainable growth.

We continuously invest in research and development capabilities in core technologies.

We have been committed to producing high-quality and durable electric two-wheeled vehicles with enhanced performance through research and development. We continue to invest in the core technologies and applications of electric two-wheeled vehicles to improve our research and development capabilities and market competitiveness. As of the Latest Practicable Date, we held a total of 437 patents in mainland China, of which 46 were invention patents, 251 were utility model patents and 140 were design patents.

We are recognized as a National High-tech Enterprise (國家級高新技術企業). We have also been named Provincial-level Enterprise Research Institute (省級企業研究院) and Provincial-level Enterprise Technology Center (省級企業技術中心) by relevant government departments. We believe that the following projects demonstrate our research and development capabilities:

- *Liquid-cooled motor technology* – Our in-house developed liquid-cooled motor technology is currently the only technology related to electric two-wheeled vehicle motors that has been awarded the Science and Technology Progress Award (科學技術進步獎) issued by China National Light Industry Council (中國輕工業聯合會). By using an insulating coolant that reduces the motor operating temperature, this technology increases the motor's working efficiency to over 90%, and thus achieves long driving range for our products and significantly improves the service life of our vehicles and the batteries. We also provide a ten-year warranty for our liquid-cooled motors, while the industry average for motors is approximately three years. As of the Latest Practicable Date, we have been granted 30 patents concerning our liquid-cooled motor technology.

- *Safe braking system* – We use ceramic brake pads on electric two-wheeled vehicles. With brake pads made of ceramic materials, ceramic brakes help increase vehicle safety as they are able to reduce breaking distance due to higher value of friction coefficient compared to traditional brakes and have more stable performance under high temperature. In 2021, we further enhanced our safety braking system by launching the flexible anti-skid brake, to shorten braking distance, prevent wheels from locking, and thereby improve braking safety. Compared with mainstream metal brake pads, our ceramic braking system can shorten braking distance by approximately 30%, and has lower noises, stronger resistance to high temperature and corrosion, while extending comprehensive service life by approximately 500%.

- *Graphene range-extension steel cord tires* – Graphene range-extension steel cord tires have been extensively applied to our products. By adding a layer of steel cord anti-puncture net on the ply of a vacuum tire, steel cord tires offer increased puncture resistance. With graphene added into steel cord tires as well as tire crowns made of high-quality rubber, the wear resistance and stability of steel cord tires can be further improved. For our premium vehicle models, we use aramid anti-puncture tires which offer stronger resistance against external impact. In terms of wear resistance, flex resistance and shock resistance, aramid anti-puncture tires can better cope with various harsh conditions, including deformations, heavy loads and high and low temperatures, as compared to ordinary tires.

In the journey of building a higher level of safe, reliable, and hassle-free electric two-wheeled vehicle products, we plan to continue investing in extending our technical capabilities and optimizing product performance.

We emphasize product development capabilities and make durable products with both fashion and performance.

We have strong product development capabilities based on which we are able to offer consumers a wide range of vehicle models including, among others, simple, classic, sports and luxury models, with different functions suitable for different consumer groups. For example, our INNO series, which represents our luxury electric bicycles targets younger and higher-income consumer groups and features elegant exterior lines, a sense of technology and *Luyuan's* core technologies. Our S series electric mopeds which primarily target male consumer groups feature a more muscular design and are also equipped with *Luyuan's* core technologies.

We endeavor to constantly excavate young consumer's desire for fashion and invest substantial resources in product design. To this end, we have a professional product design team and cooperate with well-known industrial design companies which jointly help maintain our fashion edge and popularity amongst consumers in terms of model lines, paint texture and use of colors. As a member of the China Fashion Color Association (中國流行色協會) and the China Color Innovation Center for Electric Two-wheeled Vehicles designated by the association, we jointly release popular colors for electric two-wheeled vehicles in mainland China with the association.

Under the marketing tagline *"Luyuan Liquid-cooled Electric Vehicles, A Ten-Year Ride" (綠源液冷電動車,一部車騎十年)*, we position our products as durable goods with fashion and performance. We apply our liquid-cooled motor and other in-house developed technologies to solve the key issues affecting product life and apply our achievements in braking systems, anti-puncture tires and safe and fast charging technology to our products. We believe, with the application of new technologies such as lithium-ion battery, durability of electric two-wheeled vehicles are expected to further improve. Following such industry trend as part of our strategy, we provide consumers with quality assurance that exceeds the industry level. We provide a six-year warranty period for certain of our vehicles and core parts such as air-cooled controllers and motors, which is the longest in mainland China's electric two-wheeled vehicle market, according to Frost & Sullivan. In addition, since May 2022, we further extended the warranty period of our liquid-cooled motors to ten years. For further details of our warranty policies, see "– Customers and Customer Services – Product Warranties and Recall". We believe our emphasis on the durability of our products will in turn promote the healthy development of the electric two-wheeled vehicle industry. We have officially reached a strategical cooperation with CCIC Western Testing Co., Ltd. (中檢西部檢測有限公司), to jointly formulate standards for durability of electric two-wheeled vehicles.

Our product development capabilities are also reflected in our insight and grasp of the technological development trend of electric two-wheeled vehicles and our launch of premium models with smart features. According to Frost & Sullivan, the premium segment, which covers vehicles with better performance, diversified functions including more advanced features, is expected to be more popular among consumers and thus gain stronger growth momentum with a CAGR of 27.6% from 2023 to 2027. Through various sensors and display output devices, some of our new models increase interaction between users and vehicles and offer NFC unlocking, Bluetooth communication, positioning features, vehicle sharing and other functions including cruise control system, walk-assist and auto-sensing headlights. As of April 30, 2023, we have 16 models with such smart features in production and 10 models in our pipeline. We believe, the launch of these models further diversifies our product portfolio and offers different user experiences than that of homogeneous products and improves user stickiness.

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our research and development costs were RMB83.5 million, RMB95.8 million, RMB150.5 million, RMB29.0 million and RMB41.9 million, respectively.

We have built a nationwide offline distribution network and enjoy mature channel management advantages.

We have established a nationwide distribution network covering both offline and online channels. We focus on offline distributors and continuously explore corporate and institutional customers for our offline channels and actively explore popular e-commerce platforms such as Tmall and JD.com for our online channels. Our network of distributors performs not only as sales channels but also provides significant opportunities to provide services to and engage with consumers and enhance our brand awareness. After years of accumulation, we have built an efficient flat domestic distribution channel with deep penetration into districts and counties. As of April 30, 2023, we cooperated with over 1,300 distributors which cover over 11,400 retail outlets across 30 provincial-level administrative regions in mainland China.

Leveraging years of experience in marketing network construction and management, we have established a standardized and process-based management system and an information management system, covering site selection for retail outlets, store decoration, product display, staff training, customer ordering, product delivery, supervision and tracking, etc., which demonstrates our strong marketing network expansion capability. We have also established strict access and performance assessment systems for proposed new distributors and new retail outlets and make prompt adjustments based on operation status of existing stores. Meanwhile, we have established long-term and stable relationships with our distributors through various measures including regular assessment and training. As of April 30, 2023, the average length of our cooperation with our distributors in mainland China was approximately six years, and we had business relationships with our five largest distributors in mainland China for each period of the Track Record Period for an average of approximately ten years. In addition, leveraging the BI system installed in retail outlets, our headquarters have access to distributors' sales data on an hourly basis, with which we are able to make prompt evaluations for distributors' sales results and adjust training plans for distributors. We have also configured the safety system for retail outlets, including smoke detection system and sprinkler system, which are connected with our backend information technology system to monitor fire safety 24-7. Meanwhile, the remote inspection function of our *Luyuan* Sky Eye system installed in our retail outlets is also conducive to improving store safety.

Apart from expanding the distributor network and improving distributor management, we have been gradually expanding our online presence, including establishing flagship stores on Tmall, JD.com and other well-known e-commerce platforms in mainland China. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from online channels was RMB97.6 million, RMB108.8 million, RMB271.7 million, RMB24.3 million and RMB72.0 million, respectively. In recent years, we have also continued to strengthen our brand exposure online through promotion channels including the Internet and TV media. For example, we have placed advertisements on Chinese TV variety shows such as the fourth season of Rock & Roast (《脱口秀大會》), Back to Field (《嚮往的生活》), and Have Fun (《嗨放派》), which are popular among young consumers.

Apart from online and offline retail channels, in order to seize the emerging opportunities including those arising from the significant growth of the on-demand delivery market and the shared mobility market, we also actively focus on developing corporate and institutional customers, including leading shared mobility service providers, on-demand e-commerce companies, logistics companies and government organizations. Leveraging our research and development and customization capabilities, we provide our corporate and institutional customers with fast and high-quality product customization services. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from corporate and institutional clients was RMB554.0 million, RMB421.0 million, RMB96.4 million, RMB17.9 million and RMB94.6 million, respectively.

We enjoy the scale advantage of the layout of our production plants close to our markets and our mature production process which ensures good and stable quality.

As of December 31, 2022, our production capacity of electric two-wheeled vehicles reached approximately 3.3 million units. A larger scale is beneficial for us in maintaining close relationships and bargaining power when dealing with suppliers and distributors while reducing unit production costs in the electric two-wheeled vehicle market. Additionally, along with the expansion of our production capacity, we continue to improve our production processes leading to increases in production efficiency. With the promulgation of the New National Standards and other policies, the electric two-wheeled vehicle industry has entered a stage of industry consolidation. We believe we are well positioned to capture the opportunities from the trend of industry consolidation leveraging our scale advantage which enables us to achieve rapid research and development and mass production while controlling costs.

We have strategically located our production plants according to factors such as regional market conditions and local differences to enhance our responsiveness to market demand, lower transportation costs and increase the competitiveness of our products. We have three production plants, namely, the Zhejiang Plant, Shandong Plant and Guangxi Plant. Our production plants are equipped with complete production and manufacturing systems, which allow us to carry out independent research and development and manufacturing of a wide range of key components including the motor, frame and vehicle surface. Our production plants have complete vehicle assembly lines to produce and manufacture a variety of models with low failure rate and high stability.

We always take the production and sales of safe, reliable and hassle-free electric two-wheeled vehicles as our foundation, strive for excellence in the production process and ensure high-quality product output through production informatization. We have formed a highly flexible, personalized and networked supply chain using a comprehensive set of digital systems, including our MES system, at our production plants which facilitates data analysis through monitoring the entire production process and collecting data thereof. Such systems help enhance the level of visualization and transparency of our production process, achieve information interconnectivity of vehicle assembly and improves management efficiency and decision making. We also use unmanned transport systems and welding robots, which can significantly improve production efficiency and lower unit production costs. Our Zhejiang Plant has over 20 welding robot workstations, a series of advanced metal processing equipment, such as unmanned pipe bending machines, automatic feeding and cutting machines, arc punching machines, and automatic flat ironing machines, and fully automated electro-coating line. Our Guangxi Plant has a smart command center, which realizes unmanned operation of pipe processing, welding, painting, motor production, screw locking and vehicle assembly, forming a highly flexible, personalized and digital production model of products and services. The highly automated production process guarantees the reliability and quality of our products and reduces unit production costs. Our new factory at our Zhejiang Plant, which commenced operation in April 2022, extensively utilizes advanced logistics model designs such as unmanned material handling systems and overhead conveyor systems. The informatization level of our production plants has won many recognitions and awards. In November 2017, our Zhejiang Plant was awarded Zhejiang's Third Batch of Model Enterprises for Big Data Application (浙江省第三批大數據應用示範企業) by the Economy and Information Technology Department of Zhejiang Province. In January 2018, our Zhejiang Plant was awarded Zhejiang's First Batch of Model Enterprises for Cloud Computing Platform Access (浙江省第一批上雲標桿企業) by the Economy and Information Technology Department of Zhejiang Province. In December 2021, our Guangxi Plant was awarded Guangxi's Model Enterprise for Intelligent Factory in 2021 (2021年廣西智慧工廠示範企業) by the Department of Industry and Information Technology of Guangxi Zhuang Autonomous Region. In March 2022, our Zhejiang Plant was awarded Model Project for Transformation of Production Mode in 2022 (2022年度生產製造方式轉型示範項目) by the Economy and Information Technology Department and Financial Department of Zhejiang Province.

We believe, smart manufacturing is one of the major trends of mainland China electric two-wheeled vehicle industry. Currently most manufacturers including some leading players' manufacturing facilities still mainly leverage forklifts to transport materials or components, or rely on manual work for vehicle frame welding or vehicle assembly, which is of low efficiency and relatively high cost. We believe that our efforts in improving the informatization level of our production equipment allows us to bring consumers products with more stable quality, thereby further enhancing our brand image. We believe such efforts have increased the replicability of our production process and is conducive to and lays a solid foundation for future production capacity expansion.

We have a complete quality inspection system and strictly implement our quality control measures. Our products have been on the market for many years, and we have gained extensive recognition and good reputation for the quality of our products. By being able to conduct rigorous testing on over 200 major items and 1,100 minor items of electric two-wheeled vehicles, our testing center has reached international advanced level and has also been certified CNAS Accredited Laboratory (CNAS認可實驗室) by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會).

We have a professional and experienced management team.

Our founders have extensive experience in the electric two-wheeled vehicle industry, with over 25 years of experience in the industry. The engineering background and outstanding experience in corporate governance of our founders, are one of the key factors for our success. Mr. Ni holds a master's degree in engineering majoring in communication and electronic systems from the University of Science and Technology of China (中國科學技術大學). He is one of the pioneers in the electric two-wheeled vehicle industry in mainland China. With over 25 years of experience, he has witnessed the vigorous development of mainland China's electric two-wheeled vehicle industry, led the development of key technologies and is the inventor of 43 relevant invention patents and utility model patents, including those covering liquid-cooled motor, liquid-cooled integrated power technology, controller air-cooled technology, smart charging technology, lead-acid SOC precise electricity technology, flexible floating brake technology and Ludong online platform technology. As a technology leader of the industry, Mr. Ni has participated in formulating major industry standards of the electric two-wheeled vehicle industry, including the Safety Technical Specifications for Electric Bicycles (《電動自行車安全技術規範》). In addition, Mr. Ni has held senior industrial positions, such as vice chairman of the technical committee of the China Bicycle Association (中國自行車協會) and also vice chairman of this association. Mr. Ni has also been recognized as one of the industry leaders by media. For example, he was selected as one of the Top 10 Industry Persons by CCTV and China Network Television. With his many breakthrough contributions to the technological advancement of the industry, Mr. Ni has established his prominent position in mainland China's electric two-wheeled vehicle industry. For details on Mr. Ni's honors and titles, see "Directors and Senior Management – Directors."

Ms. Hu holds a master's degree in power system and automation from Hefei University of Technology (合肥工業大學). With her professional background, Ms. Hu has been able to lead our development from a unique vision combining technology and corporate governance and build a solid management foundation for our success. Ms. Hu has won numerous awards which fully demonstrate her strong industrial influence, including the 5th Zhejiang Outstanding Female Entrepreneur (浙江省第五屆浙商女傑稱號), and the Jinhua Outstanding Entrepreneur (Golden Bull Award) (金華市優秀企業家(金牛獎)稱號). She is also a representative of the 12th Shandong Provincial People's Congress. For further details on Ms. Hu's honors and titles, see "Directors and Senior Management – Directors."

We believe our technical knowledge has laid a solid foundation for our Group's success. Inspired by our founder's spirit of excellence and refinement, our Group has established a cohesive management team. We believe that our management team's technical experience, management capability, and the spirit of solidarity and mutual trust developed over the years have become our competitive advantage.

STRATEGIES

Leveraging our competitive strengths, we aim to become an enterprise leading the development of mainland China's electric two-wheeled vehicle industry by implementing the following strategies:

Further enhance brand awareness and increase market share in mainland China.

We plan to continuously promote our brand to increase awareness among existing and potential end customers to increase our market share in mainland China. Specifically, we plan to use multiple marketing vehicles on traditional and new media channels to enhance visibility and recognition of our brands and ensure comprehensive consumer exposure.

Our traditional media channel matrix covers offline promotions, media advertisements, public relations activities, spokesperson engagement and other traditional media channels. We will primarily focus on entertainment marketing by sponsoring film, television and variety shows leveraging our successful experiences in sponsoring variety shows and dramas. In addition, as we expect the popularity of sports events to rebound since the lifting of the zero-COVID policy in mainland China, we engaged the national table tennis team as our spokespersons in March 2023 plan to build various marketing campaigns around this cooperation. Furthermore, as offline retail outlets remain the main sales channel in the electric two-wheeled vehicles industry, we plan to continue to invest in offline brand promotion activities around our retail outlets, including traditional outdoor advertisements, more innovative and interactive large-scale promotional activities, and online-to-offline marketing designed to bring online traffic to our physical retail outlets.

We will also take advantage of new media channels including Internet advertisements, emerging social medial platforms and others. We plan to implement precise and efficient advertising strategies and utilize emerging social medial platforms to engage in personalized consumer interaction. With an aim to generate more organic word-of-mouth marketing and recommendation from distributors and customers, we will increase our use of content marketing on social media and new media platforms.

We intend to leverage our competitive advantages in technology development and insights into consumer preferences and habits to produce highly acceptable and recognizable products. Our recent marketing campaigns will focus around our marketing tagline of "*Luyuan Liquid-cooled Electric Vehicles, A Ten-Year Ride*" (綠源液冷電動車,一部車騎十年), showcasing the quality and durability of our liquid-cooled electric vehicles and other popular products and the advantages of our technologies. Based on our liquid-cooled motor technology, we plan to further expand our product portfolio to cover other product categories including electric strollers, electric skateboards and electric three-wheelers. In particular:

- In terms of the product appearance, we plan to continue to leverage our position as the first and only China Color Innovation Center for Electric Two-wheeled Vehicles designated by China Fashion Color Association and release fashion colors and lead the color trend of electric two-wheeled vehicles. We plan to further attract young and fashionable consumer groups by launching vehicle models in collaboration with artists or IPs. We also plan to cooperate with professional design teams to create blockbuster products to promote our brand image.

- In terms of functional details such as feedback from saddles, handlebars, lights, review mirrors and brakes, we plan to increase the number of focal points of our internal product review to enhance user experience.

- In terms of new functions, we plan to optimize user experience by launching an updated version of the *Luyuan APP*, which comprehensively strengthens interaction between users and our vehicles, so that the smart functions such as saddle sensors and voice interaction can be fully integrated into our new products.

- We plan to launch more derivatives for electric two-wheeled vehicles, such as high-quality rearview mirrors, aluminum alloy windshields and customized caterpillar saddles, further completing our brand system.

We intend to apply approximately 9.0% or HK$60.2 million of the net proceeds from the Global Offering to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

Further enhance production capacity to support rapid business growth.

The market size of electric two-wheeled vehicles is estimated by Frost & Sullivan to increase at a CAGR of 4.6% in mainland China and 9.5% globally from 2023 to 2027 in terms of total sales volume. We intend to continue to expand our production capacities to address growing demands of our products while solidifying our market position. In particular, we plan to selectively construct a new production facility in a Southwestern China city with mature supply chains and supporting resources. We expected the new production facility to commence operations in 2024 and incrementally increase production capacity up to approximately 2.0 million units annually by 2026.

The new factory at our Zhejiang Plant, which came into operation in April 2022, extensively utilizes unmanned material handling systems and overhead conveyor systems that greatly enhance production efficiency. With an aim to align with this standard, we plan to incrementally elevate the informatization level and production efficiency of our other production facilities, including our Shandong Plant and Guangxi Plant, through deploying more new and advanced production machinery and equipment. We also plan to enhance our warehousing and logistics capabilities including by constructing new warehouses and adopting three-dimensional racks.

Furthermore, we plan to upgrade our information technology systems along with the expansion of our production capacity to improve operational efficiency in the management of procurement, production planning, inventory, sales, logistics and administration. In particular, we plan to set up a big data platform to enhance our digitalization analysis capabilities, to better understand consumer preferences and formulate optimal production plans accordingly.

We intend to apply approximately 30.0% or HK$200.6 million of the net proceeds from the Global Offering to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

Further upgrade, expand and optimize the layout of our sales and distribution network.

We cooperated with 1,314 offline distributors in mainland China who controlled over 11,400 retail outlets in 319 cities across 30 provincial-level administrative regions in mainland China as of April 30, 2023. With reference to official administrative divisions, we divided our market in mainland China into 106 city clusters under three tiers (strategic, key and general) and will continue to optimize our sales and distribution network by implementing tailored strategies for each tier. For the strategic tier such as Jinan and Hangzhou whose performance has a significant impact on our national brand recognition and reputation, we plan to fully leverage the capabilities and resource advantages of high-quality distributors through customized strategies, attract more high-quality distributors to join our distributor network, and open experiential and landmark retail outlets to boost our brand influence. For the key tier, we plan to continuously optimize and develop our network through business analysis and customer insights to enhance local market competitiveness. For the general tier, we are committed to maintaining good relationships and cooperation, enhancing their stickiness and trust with us and achieving sustained and stable growth.

Going forward, based on the current distribution of our network, we plan to further support and motivate distributors to operate additional retail outlets or develop sub-distributors, especially in Eastern China and Central and Southern China, primarily through the addition of the following three main types of retail outlets: (i) core retail outlets located in major business districts to establish primary influence in the region and ensure basic local sales; (ii) community and township retail outlets to expand network coverage and deepen penetration; and (iii) experience retail outlets at commercial centers or landmark locations to bolster our brand image and increase end-consumer touch points.

We plan to further strengthen our management capabilities for distribution channels. We plan to continue to optimize our selection, evaluation and monitoring of distributors and support them through providing more effective training. We plan to further upgrade and optimize our various information technology systems to improve operating efficiencies. Specifically, we plan to upgrade our SI store management system to strengthen and increase our guidance over distributor retail outlets to unify our brand image and improve customer service which we believe will help increase customer's loyalty to our brand.

Moreover, we attempt to bring online traffic to our physical retail outlets, which we believe will enhance the visibility of our brand and products and make our products more accessible to potential consumers. In this process, we will leverage various marketing vehicles including social media to carry out branding and promotion activities and launch new products. For details, see "– Sales and Distribution – Online Channels".

We intend to apply approximately 28.5% or HK$190.5 million of the net proceeds from the Global Offering to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

Further enhance our research and development capabilities to solidify our position in product and technology.

We believe capabilities in research and development and design have been critical for us to deliver advanced, high-quality and fashionable products with outstanding performance. Following industry trends, we are committed to investing significant resources in our research and development efforts to enhance the autonomous rate of our products, maintain our technical edge and continue to promote technology development and innovation in the electric two-wheeled vehicle market.

In particular, we plan to continuously improve the performance of our products and technologies, such as further upgrading our liquid-cooled motor technology to enhance driving range and further optimizing our ceramic brake system to enhance safety level and user experience. We plan to extend our research and development efforts to battery swapping, including developing infrastructure and management systems for centralized battery swapping and the application of different types of batteries on electric two-wheeled vehicles such as sodium-ion batteries and solid-state batteries to offer users safer and more convenient electric two-wheeled options. To reinforce our product positioning as safe, reliable, and hassle-free electric two-wheeled vehicles, we plan to focus on improving the overall quality and durability of our products while reducing weight by testing and introducing new materials and new structural designs. We will also focus on developing IoT-enabled vehicles or other functions to enhance user convenience and experience.

In addition, with the extended application of lithium-ion batteries, shared mobility and battery swapping industries are expected to offer the electric two-wheeled vehicles industry new development opportunities. Leveraging our strength as a well-known electric two-wheeled vehicle brand that has continuously contributed to industry development and in order to further create an electric two-wheeled vehicle ecosystem, provide users with safe, convenient, economic and diversified mobility options, we plan to increase our research and development efforts in shared mobility, battery swapping and other services, invest in hardware infrastructure for battery swapping, including batteries and charging cabinets, and launch an online shared mobility and after-sales service platform.

As our long-term success and growth will depend on our ability to improve our products and technologies described above, which meet consumers' needs and evolving market trends, we plan to further upgrade our research and development infrastructure and equipment, including by introducing advanced research and testing equipment and software. We will fully tap into the strength of our National High-tech Enterprise (國家級高新技術企業), Provincial-level Enterprise Research Institute (省級企業研究院) and Provincial-level Enterprise Technology Center (省級企業技術中心) statuses and strengthen our cooperation with suppliers, universities and research institutes to further improve our research and development capabilities.

We intend to apply approximately 27.0% or HK$180.5 million of the net proceeds from the Global Offering to finance our research and development expenditures other than those for talent recruitment. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

Continue to attract, train and motivate talented professionals.

In line with our business growth, we will continue to attract, train and motivate high caliber employees and talents. In particular, our recruitment plan will focus on talents with expertise in specialized areas such as research and development including battery swapping and IoT technologies given their future growth potentials and sales and marketing to support the growth of our sales and distribution channels.

We plan to align our interests with that of our employees. To achieve this goal, we have adopted share incentive schemes, the details of which are set forth in "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV. We also offer employees, especially those with outstanding performance, on-the-job training that prepare them for management positions and allow them to achieve career aspirations so that we and our employees can both succeed. We believe such measures help attract and retain high caliber talents and solidify our market position.

We intend to apply approximately 3.0% or HK$20.1 million of the net proceeds from the Global Offering to finance our recruitment of additional research and development personnel. The remaining spendings in relation to our employment and recruitment will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

Steadily expand our business in international markets.

With the support of our advanced technologies and quality products, we plan to take advantage of favorable policies to further expand our presence in international markets. Given its ideal location neighboring Southeast Asia markets, we believe our Guangxi Plant offers unique advantages in terms of lowering production and logistics costs that will greatly support our overseas expansion plans. In addition, we have formulated detailed expansion plans tailored to different overseas markets based on comprehensive analysis on various aspects including market size, market conditions and regulatory requirements.

As compared to the PRC, international markets are at a relatively early stage of development and their legal and regulatory requirements are different from those in China in various aspects and still evolving. For example, an EEC certification which refers to the European Economic Community certification, is a mandatory standard used within the European Economic Area, indicating that a product meets the relevant EU regulations and has passed corresponding safety, health, and environmental protection tests. Some southeast Asia countries have developed their own regulatory requirements using the EEC certificate as a blueprint. We recognize that overseas markets have different and/or evolving laws and regulations regarding electric two-wheeled vehicles. Therefore, when entering and operating in overseas markets, we will conduct comprehensive and continuous analysis on the market conditions and regulatory requirements, consult overseas distributors with local experience and seek professional advice whenever necessary to ensure compliance. We also cooperate with local distributors to complete relevant registrations or approvals to ensure our products comply with local laws and regulations before being licensed or used on road. Our Directors confirm, to the best of their knowledge, there has been no material non-compliance of laws and regulations of the relevant overseas markets where our products were distributed during the Track Record Period and up to the Latest Practicable Date. For a relevant risk factor, see "Risk Factors – Risks Relating to Our Business and Industry – We may be unsuccessful at maintaining or expanding our international sales and our international sales may subject us to risks that may have a material adverse impact on our business."

Instead of targeting different consumer subsets, we have formulated our overseas expansion plans around our understandings of the major product demands, local consumer habits and overall economic level in the countries and regions and rely on distributors with local expertise and resources to distribute suitable customized products that meet local demand or sample products to test the market. For example, in North America and Europe which aggregately account for approximately 45% of sales in overseas markets, there is greater demand for electric two-wheeled vehicles for daily commuting, shopping and leisure purposes. These markets have relatively higher but stable regulatory requirements with consumers with higher consumption powers, and therefore suitable for our long-term development. We intend to further explore such markets by actively exploring local customers and initially supplying small batches of product models ordered by such local customers for them to gauge the demand and preferences of local customers. As another example, in Southeast Asia markets excluding India, demand for electric motorcycles with higher speed and longer driving range is stronger and local governments tend to promulgate favorable supporting policies out of environmental and resource preservation considerations. We plan to leverage the ideal location of our Guangxi plant to provide more tailored products for the Southeast Asia market. As we deepen our cooperation with existing overseas distributors in developed markets such as Thailand and Indonesia and as our distribution in Southeast Asia expands, we expect to manage risks of cannibalization and channel stuffing through introducing regional product restrictions and designated distribution areas. Leveraging our product development and customization capabilities, we will actively pursue opportunities to tap into major cities our nearby countries such as Malaysia with products that cater to local demand. In the mid- to long-run and following the development of ASEAN integration, we also plan to localize production and sales by establishing a Southeast Asia operation center.

We intend to apply approximately 1.5% or HK$10.0 million of the net proceeds from the Global Offering to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

OUR BUSINESS AND PRODUCTS

We are mainly engaged in the design, development, manufacturing, marketing, and sales of electric two-wheeled vehicles, offering consumers a convenient, safe, cost-effective and environmentally friendly riding experience and an alternative mobility option to other ways of transport such as by four-wheeled automotives or public transportation. Our electric two-wheeled vehicles are empowered by various technologies that enhance performance and digital and smart connectivity, designed and developed by leveraging our in-house research and development capabilities and close collaboration with third parties. For more details about our technologies, see "– Research and Development – Our Technologies." The manufacturing of our electric two-wheeled vehicles is substantially fulfilled by our three strategically located production plants equipped by various advanced equipment.

We currently offer our products under our *Luyuan* (綠源) brand, which has over 20 years of history. Our *Luyuan* brand was recognized as a well-known trademark of China (中國馳名商標), famous trademark of Zhejiang Province (浙江省著名商標) and have received other national awards and recognitions. See "– Awards and Recognitions" for details.

During the Track Record Period, our revenue was mainly derived from the sale of electric two-wheeled vehicles which can be broadly classified into electric motorcycles, electric mopeds, and electric bicycles. To a much lesser extent, we also generated revenue from sale of other special function vehicles, batteries and other vehicle parts, and the provision of various services to our distributors. The following table sets forth a breakdown of (i) our revenue by type of product and (ii) revenue generated from the provision of services to distributors during the Track Record Period.

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Types of products										
Electric bicycles	1,010,096	42.5	1,423,625	41.7	2,232,086	46.7	450,089	38.7	804,532	48.7
Electric mopeds	722,892	30.4	495,043	14.5	258,177	5.4	104,385	9.0	27,241	1.6
Electric motorcycles	244,920	10.3	686,672	20.1	953,887	19.9	265,019	22.8	377,373	22.9
Batteries[1]	306,366	12.9	606,128	17.7	1,052,365	22.0	257,859	22.2	363,116	22.0
Electric two-wheeled vehicle parts[2]	60,220	2.5	147,793	4.3	226,164	4.7	67,952	5.9	57,574	3.5
Others	11,430	0.5	5,446	0.2	5,090	0.1	318	0.0	61	0.0
Subtotal	2,355,924	99.1	3,364,707	98.5	4,727,769	98.8	1,145,622	98.6	1,629,897	98.7
Types of services										
Training service	10,421	0.4	28,081	0.8	36,765	0.8	13,049	1.1	14,425	0.9
Others	11,987	0.5	24,899	0.7	18,489	0.4	3,290	0.3	7,102	0.4
Subtotal	22,408	0.9	52,980	1.5	55,254	1.2	16,339	1.4	21,527	1.3
Total	**2,378,332**	**100.0**	**3,417,687**	**100.0**	**4,783,023**	**100.0**	**1,161,961**	**100.0**	**1,651,424**	**100.0**

Notes:

1. Representing batteries sold together with our electric two-wheeled vehicles.

2. Representing vehicle parts, such as tires and batteries, sold separately to distributors for their provision of after-sales services to end customers.

The following table sets forth the sales volume and average selling prices per unit of our electric vehicles (excluding batteries) for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit
	unit	*RMB*	*unit*	*RMB*	*unit*	*RMB*	*unit*	*RMB*	*unit*	*RMB*
Electric bicycles	873,708	1,156	1,218,462	1,168	1,705,300	1,309	361,204	1,246	674,502	1,193
Electric mopeds	451,504	1,601	330,913	1,496	172,467	1,497	68,070	1,533	18,413	1,479
Electric motorcycles	144,874	1,691	398,304	1,724	546,601	1,745	152,593	1,737	230,435	1,638
Others	2,379	4,805	654	8,327	199	25,580	8	39,657	2	30,897
Total	**1,472,465**	**1,351**	**1,948,333**	**1,340**	**2,424,567**	**1,423**	**581,875**	**1,409**	**923,352**	**1,310**

Our electric two-wheeled vehicles are built with a focus on quality, safety and durability, and are currently available in approximately 68 models with different designs and specifications to cater to a wide range of consumer preferences and demands. The table below sets forth a summary of certain features of our electric motorcycles, electric mopeds and electric bicycles as of April 30, 2023.



	Electric Motorcycles	***Electric Mopeds***	***Electric Bicycles***
Representative model	*MKK (極影)*	*MOO (MODA3)*	*ZQQ (INNO9)*
Motor power	≥1,200W	600W-1,000W	≤400W
Maximum speed	>50km/h	≤50km/h	≤25km/h
Load capacity	≤150kg	≤75kg	≤75kg
Driving range	50km ~ 100km	40km ~ 100km	30km ~ 100km
Suggested retail price (including batteries and VAT)	RMB2,599 ~ 5,299	RMB2,399 ~ 4,599	RMB1,399 ~ 5,099
Driver's license	D, E license	D, E, F license	Not required

Electric Motorcycles

Our electric motorcycles are two-wheeled vehicles powered by powerful electric motors and rechargeable batteries capable of reaching a speed of over 50km/h. They typically feature a covered frame, a step-through chassis and a footrest platform. In contrast to conventional motorcycles, electric motorcycles are easy to maneuver, require less maintenance and represent an energy-efficient and environmentally friendly mobility experience. Set forth below are pictures of our electric motorcycles.

Electric Motorcycle (MKK (極影))

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our electric motorcycles amounted to RMB244.9 million, RMB686.7 million, RMB953.9 million, RMB265.0 million and RMB377.4 million, respectively, representing 10.3%, 20.1%, 19.9%, 22.8% and 22.9% of our total revenue for the same periods, respectively.

Electric Mopeds

In line with the classification under the Safety Specification for Electric Motorcycles and Electric Mopeds (GB24155-2020) (《電動摩托車和電動輕便摩托車安全要求》(GB24155-2020)), while similar in terms of exterior appearance, electric mopeds are typically less powerful in terms of motor capacity, loading capacity, braking system and overall performance as compared with electric motorcycles, but are more advanced than our electric bicycles in these aspects. Set forth below are pictures of our electric mopeds.

Electric Moped (MOO (MODA3))

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our electric mopeds amounted to RMB722.9 million, RMB495.0 million, RMB258.2 million, RMB104.4 million and RMB27.2 million, respectively, representing 30.4%, 14.5%, 5.4%, 9.0% and 1.6% of our total revenue for the same periods, respectively.

Electric Bicycles

Electric bicycles are largely similar to bicycles but equipped with electric motors and rechargeable batteries to power the vehicle, or to assist with pedaling as they have retained functional pedals. As compared with electric motorcycles and electric mopeds, electric bicycles typically have fewer plastic parts coated, more vehicle frame exposed, and are comparatively lighter and more portable. Set forth below are pictures of our electric bicycles.

Electric Bicycles (ZQQ (INNO9))

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our electric bicycles amounted to RMB1,010.1 million, RMB1,423.6 million, RMB2,232.1 million, RMB450.1 million and RMB804.5 million, respectively, representing 42.5%, 41.7%, 46.7%, 38.7% and 48.7% of our total revenue for the same periods, respectively.

Other special function vehicles

During the Track Record Period, we accommodated special requests by customers and sold (off-road use) electric sightseeing vehicles (非公路用旅遊觀光車) which are required to comply with the General Technical Conditions for Garden Patrol Minibus (《非公路用旅遊觀光車通用技術條件》) instead of the New National Standards. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from special function vehicles amounted to RMB11.4 million, RMB5.4 million, RMB5.1 million, RMB318,000 and RMB61,000, respectively, representing 0.5%, 0.2%, 0.1%, 0.0% and 0.0% of our total revenue for the same periods, respectively.

Substantially all of the above electric two-wheeled vehicles and special function vehicles we sold during the Track Record Period were manufactured in-house. A negligible fraction were third-party products. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we sold 16, 139, 640, 282 and two third-party products, respectively. For the same periods, revenue generated from third-party products amounted to approximately RMB394,410, RMB2.0 million, RMB5.3 million, RMB552,446 and RMB61,947, respectively, representing, 0.0%, 0.1%, 0.1%, 0.0% and 0.0% of our total revenue for the same periods, respectively. The relevant third parties are responsible for the development, design and manufacturing of these third-party products while these third-party products will be branded with our brand. We sell such third-party products through our self-operated online stores or to some corporate clients. This provides customers with more choices in addition to our self-developed products and was primarily a targeted marketing effort to attract consumers that may be interested in specific third-party products and introduce them to our broader range of products offered on our self-operated online stores. For example, we procured and sold third-party folding electric bicycles that allow for easy storage and stashing in the back of cars appealing to designated drivers.

Batteries and vehicle parts

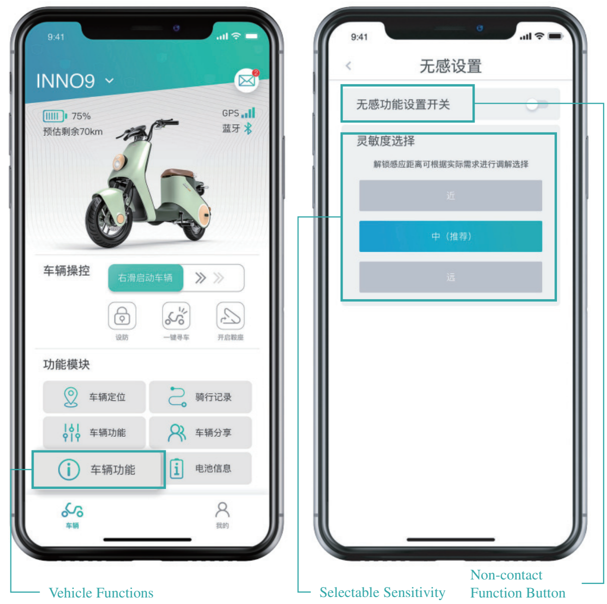
We sell batteries together with our electric two-wheeled vehicles. We also sell electric two-wheeled vehicle parts, such as tires and batteries, separately to distributors for their provision of after-sales services to end customers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from batteries and other related products amounted to RMB366.6 million, RMB753.9 million, RMB1,278.5 million, RMB325.8 million and RMB420.7 million, respectively, representing 15.4%, 22.0%, 26.7%, 28.0% and 25.5% of our total revenue for the same periods, respectively.

Our *Luyuan* Mobile App and Smart Features

Drawing upon our industry expertise, we have been enriching our electric two-wheeled vehicle product offerings by introducing connectivity and smart features to our vehicles. According to Frost & Sullivan, the premium segment, which covers vehicles with better performance, diversified functions including more advanced features, is expected to be more popular among consumers and thus gain stronger growth momentum with a CAGR of 27.6% from 2023 to 2027.

We have integrated several smart functions to certain high-end product models that are accessible through our *Luyuan* mobile app, including vehicle positioning, tracking, monitoring, remote sharing and anti-theft functions. The picture below sets forth the homepage and user interface of our *Luyuan* mobile app.

- *Digital keys*. We have developed digital keys to enhance customer convenience. Our customers can unlock their vehicles through our mobile app by utilizing Bluetooth or NFC functions, allowing our users to forget about carrying or losing physical keys. Once users successfully install our app and pair their smartphones with their vehicles, they can use their smartphones as keys to unlock the vehicles when they approach them. Users can also select the sensitivity mode and adjust the sensing distance according to their needs and preference. The pictures below set forth illustrative examples of our digital key function.



- *Anti-theft features*. Our vehicles are equipped with positioning systems, that pinpoints the location of the vehicle on our mobile app. It can also track riding information such as riding time, distance, average speed, and routes. In the event of attempted theft, movement sensors and anti-theft alerts the users by message if their vehicles are receiving unexpected or unauthorized movement.

- *Remote vehicle sharing*. Our *Luyuan* mobile app allows owners to remotely share access to other users, such as family and friends, by entering information of the user and sending a digital key through instant messaging apps. Owners can manage the user accounts and cut off their connections to the vehicles after the sharing. We believe, in addition to providing convenience to our customers, this function potentially expands our user base by allowing those that do not currently own our vehicles to gain firsthand riding experience.

We also equip our vehicles with other smart features to enhance user experience throughout the entire riding experience. Certain premium models of our vehicles have installed cruise control systems that help users maintain speed and reduce fatigue. On several vehicle models, we offer auto-sensing headlights that make it safer for users to ride at night and an adjustable walk-assist mode to make our vehicles more maneuverable when pushing. In addition, we have installed saddle sensors on some of our vehicles that prevent accidental acceleration when pushing the vehicle. When used together with Bluetooth automatic distance sensing functions, such sensors can power-off the vehicle automatically three minutes after the user leaves the vehicle.

RESEARCH AND DEVELOPMENT

We believe our success is largely attributable to our strong research and development capabilities and our continued commitment to research and development efforts. In light of changing consumer preferences and regulatory developments in the electric two-wheeled vehicle industry, we are committed to continuing to ensure product compliance, quality and safety as well as keeping up with new technologies in order to build and maintain our market position. For example, we have developed in-house our liquid-cooled motor technologies that prevents motors from overheating and enables longer travel distance and are also devoting resources to research and development in areas with strong growth potential such as safe lithium-ion battery technologies and charging cabinets in relation to battery swapping and functions including saddle sensors and voice interaction.

In order to keep in pace with consumer preferences, our research and development team works closely with our sales and marketing department which tracks and collects consumption data through our vast offline distribution network and online channels. In addition, in order to enhance product quality, promote cost efficiency and promote overall profitability, we have developed innovative production techniques and installed advance equipment to optimize our manufacturing process. For example, we have equipped our production plants with robotic technologies that can perform tasks such as unmanned welding to enhance production efficiency and improve stability of product quality.

Our research and development efforts have produced notable technical achievements and have a track record of developing intellectual property and industry know-how that can be applied to our products. As of the Latest Practicable Date, we registered a total of 437 patents in mainland China, including 46 invention patents, covering key areas such as liquid-cooled motor and battery management. In addition, as a testament to our research and development capabilities, we have participated in the establishment and revision of four national standards and three industry standards, including the New National Standards in 2018.

Research and Development Teams

We have a professional and experienced research and development team led by Mr. Ni, our co-founder, who is committed to constantly investing into technology development. As of April 30, 2023, we have assembled a team of 361 employees in our research and development team, with specialties covering electrical engineering, mechanical engineering and automation and man-machine and environmental engineering. We have divided our research and development department into two primary functions with one focusing on the development of new products and the other focusing on the research of fundamental technologies in relation to electric two-wheeled vehicles, such as control units, motors, battery packs and braking systems. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our research and development costs amounted to RMB83.5 million, RMB95.8 million, RMB150.5 million, RMB29.0 million and RMB41.9 million, respectively.

External Collaboration

In addition to leveraging our in-house research and development capabilities, we have formed in-depth collaboration with our upstream suppliers in relevant industries to acquire additional support to our own research and development efforts and promote the development of electric two-wheeled vehicle technologies and components. We are deeply involved in the research and development process of our suppliers and provide them with valuable improvement and optimization suggestions to their technical and structural designs. We provide them with substantial performance testing and verification that are necessary for the deployment of their products on electric two-wheeled vehicles using our in-house testing equipment and facilities. We believe such joint research and development collaboration provides us with insights into industry trends and emerging new technologies, enabling us to focus our current and future research and development efforts more effectively. For example, we have collaborated with our suppliers on a number of components including ceramic brakes, SOC precise battery display LCD dashboards, steel cord tires, aramid tires and chargers. The major terms of our strategic cooperation agreements with relevant suppliers typically include the following terms:

Exclusive supply	We are entitled to the exclusive rights to use particular patented products of the supplier. The supplier shall notify us of any upgrade or breakthrough with respect to relevant patents which shall become the subject of the agreement.
Term	The term of the strategic cooperation agreements is typically one year.
Joint R&D and ownership of intellectual property	The parties agree to enhance cooperation in terms of research and development of product technologies. The suppliers shall assign core technical personnel to participate in our research and development efforts. Any intellectual property derived from a development plan proposed by one party shall be owned by such party and any intellectual property jointly designed and developed products shall be jointly owned by the parties.
Most favorable price	Under the premise of maintaining reasonable profit, the supplier agrees to offer us the most favorable pricing terms within the industry.

Termination	We are entitled to terminate the agreement upon the occurrence of certain specified events, such as mass quality incidents caused by the supplier's products, failure to offer us their latest products and technologies and failure to prioritize the production of our products in peak seasons.

Product Development Process

As part of our effort to ensure that we deliver the best products with consistent product quality to consumers, we maintain a standard product development process, product standards and critical control points for each of our core products. Our product development process primarily consists of the following key steps:

- *Project planning and feasibility assessment.* In the product planning phase, our sales and marketing department crafts proposals for new products after analyzing end user needs, competitive environment and market feedback. Our research and development team then assesses feasibility in terms of product engineering, quality assurance, safety, aesthetics, function, costs and manufacturability. Upon completion of feasibility assessment, such proposals are submitted to our management for approval.

- *Structural and technical design.* Once approval is received, our research and development team then develop the structural and technical design and sets out the specifications and details of raw materials, components and accessories required to manufacture the product and ensure the best possible user experience. Based on the confirmed design, our research and development team will work with our suppliers to produce prototype vehicles.

- *Trial production and trial sales.* Once a prototype passes testing phase with satisfactory results, we conduct trial production to evaluate safety, performance and reliability of the prototypes and the manufacturing process to enhance production efficiency. Our research and development department then partners with our marketing department to roll out the new products to selected regions for small-scale trial sales to test market acceptance. Our sales and marketing department will closely monitor our sales and customer feedback and assist our research and development team in adjusting the prototype as needed.

- *Mass production.* After receiving positive feedback from trial sales, we pass on the product to our manufacturing facilities for mass production.

Our Technologies

Leveraging our in-house research and development capabilities and collaborations with upstream suppliers, we have equipped our vehicles with a variety of advanced and effective technologies. Set forth below are a number of examples.

Liquid-Cooled Motor Technology

Most of our current electric two-wheeled vehicle models have adopted motors that are equipped with our independently developed liquid-cooled motor technology, which is currently the only technology related to electric two-wheeled that has been awarded the Science and Technology Progress Award (科學技術進步獎) issued by China National Light Industry Council (中國輕工業聯合會). Our liquid-cooled motor technology features an insulating coolant that absorbs excessive heat and decreases operating temperature of the motor, which enables our motors to reach a motor efficiency of over 90%, higher than that of traditional air-cooled motors. Such increased motor efficiency then translates into an increase in driving range. The proprietary design of our liquid-cooled motor which offers low working temperature, dustproof, waterproof, rust-proof and anti-demagnetization effects also increases the longevity of our motors. By maintaining a high level of motor efficiency, our liquid-cooled motor also prevents our batteries from overloading and thereby increasing battery life. As a result, we are able to provide a six-year warranty period for our electric two-wheeled vehicles and core parts such as the air-cooled controllers and motor, which is the longest warranty period among other industry peers, according to Frost & Sullivan. In addition, since May 2022, we further extended the warranty period of our liquid-cooled motors to ten years. We are the first and only company to provide such a long warranty period for electric motors in the industry.

We have also developed a liquid-cooled middle drive motor, which, in addition to adopting liquid-cooled heat dissipation technologies, as compared to wheel-hub motors, integrates the motor and controller (the two most critical heat sources of electric two-wheeled vehicles) in the same cabin closer to the center of the vehicle to provide further improved efficiency and service life and achieve a more balanced riding experience.

Lead-acid Battery SOC Mileage Management Technology

SOC, or state of charge, describes the amount of energy left in a battery at a specific point in time, similar to a fuel gauge in a gasoline-powered vehicle. The majority of electric two-wheeled vehicles utilize lead-acid batteries and most indicate remaining battery level with a few inaccurate bars. Leveraging our in-house developed lead-acid battery SOC mileage management technology which is capable of accurately displaying remaining battery of lead-acid batteries in percentage, we allow our users to easily and accurately determine when to recharge their vehicle or how far they could travel. With this technology, we are able to indicate battery level of lead-acid batteries by percentages 1%.

Safety Braking System

We use ceramic brake pads on electric two-wheeled vehicles. With brake pads made of ceramic materials, ceramic brakes help increase vehicle safety as they are able to reduce breaking distance due to higher value of friction coefficient compared to traditional brakes and have more stable performance under high temperature. Compared to traditional brake pads commonly seen on electric two-wheeled vehicles, our ceramic brake pads are capable of reducing braking distance by 30% and increasing brake life up to five years. In 2021, we further enhanced our safety braking system by adopting a mechanical design with flexible braking features developed in-house which increases pressure between the tier and the ground when braking and hence further reduces braking distance. At the end of 2021, we developed flexible anti-skid brakes based on our ceramic brake technologies that prevent wheels from locking while braking and avoid uncontrolled skidding.

Graphene Range Extension Steel Cord Tires

Tires are critical to the handling, braking, safety and power efficiency of electric two-wheeled vehicles. We add graphene to the tires of our vehicles to optimize the molecule structure of the tire rubber and enhance durability and wear resistance. Tires laced with graphene dissipate heat more efficiently and reduce rolling resistance which help reduce power loss and can extend the mileage up to an additional 10km as compared to traditional tires. We also reinforce our tires with a steel cord that offers increased durability, puncture resistance and damage energy level and thereby providing users a more stable and safer riding experience.

Product Design

Consumers, especially those of younger generations, are increasingly focused on product appearance and design. As such, we aim to offer electric two-wheeled vehicles that have a distinctive design identity that caters to customer preferences and improves our brand and product visibility to our target customers. To this end, in addition to leveraging our strong in-house vehicle design capabilities delivered by our internal design team which comprised 27 members as of April 30, 2023, including 12 experienced structural designers and 15 professional styling and color designers, we also collaborate with well-known industrial design companies to assist us in designs of new vehicle models. Prior to completing new vehicle designs, these industrial design companies are required to conduct extensive market research on the latest fashion trends and consumer preferences. In general, we are entitled to all intellectual property developed under our collaboration with third party industrial design companies. We are also the member of the China Fashion Color Association (中國流行色協會) which is designated as the first and only China Color Innovation Center for Electric Two-wheeled Vehicles and are in charge of releasing popular colors for electric two-wheeled vehicles in mainland China together with the association.

During the Track Record Period, leveraging our strong design capabilities and external collaborations, we launched more than 190 new models of electric two-wheeled vehicles under ten different series featuring different designs, functions tailored for different consumer groups. Set forth below are illustrative descriptions of certain features and consumer profiles of three main series.

Series	Features and consumer profile
 *S Series*	We offer both electric motorcycles and electric mopeds under the S Series mainly targeting male consumers in urban areas between 18 to 65, with a more muscular design featuring geometric planes and lines with simple colors. The S Series also features enhanced technical features and human-machine connectivity.
 *Moda Series*	We offer both electric motorcycles and electric mopeds under the Moda Series mainly targeting female consumers in urban areas between 18 to 65, with a more feminine design featuring curved lines and surfaces with cute and fashionable colors. The Moda series has adopted various core technologies including liquid-cooled motors, ceramic brakes, SOC mileage management technology and can be connected with our *Luyuan* Mobile App.
 *INNO Series*	We mainly offer electric bicycles under the INNO Series mainly targeting consumers between 18 to 65 of both sexes, with a design of geometric planes with simple but fashionable colors and a sense of technology, modernization and digitalization. It is primarily marketed in Tier 1 and Tier 2 cities in China. We have equipped the INNO Series with a variety of novel technologies such as seat sensors, cruise control and walk-assist. INNO Series electric bicycles are also equipped with long-life lithium-ion batteries extending its driving range to 100km.

PRODUCTION

We have been continuously building competitive advantages in our production capabilities since our inception. We manufacture a significant portion of the key components used in our electric two-wheeled vehicles in-house. For example, during the Track Record Period, apart from vehicles sold to certain corporate and institutional customers which have specific requirements for electric motors, 100% of our electric motors and over 75% of our vehicle frames were produced in-house. Meanwhile, to ensure quality of our products, we also carefully select component and raw material suppliers with reliable quality, research and development capabilities and reasonable prices for components such as batteries and central control units. We believe that this combination of in-house production and external procurement enables us to better control our core technical know-how and intellectual property, accumulate the knowledge and expertise which are required for optimizing production efficiency, ensure the quality of our products while controlling our production costs.

Production Planning

We typically prepare production plans on a periodic basis based on the production forecasts and seasonality. Through joint efforts of various departments of our Company including the procurement department and sales and marketing department, we also conduct a rolling production forecast based on actual orders received, which enables us to efficiently create an accurate procurement and production plan and maintain suitable inventory level.

Production Process

Our production process is designed to ensure high standards of quality and timely delivery to meet market demands. Set forth below are the key steps of our production process:

- *Preproduction quality control.* We conduct quality inspection over raw materials and components provided by suppliers against our internal standards and relevant rules and regulations prior to production.

- *Bending and welding of vehicle frame.* Pipes are bended and welded into vehicle frames. We use welding robots in this process to increase efficiency.

- *Surface treatment of vehicle frame.* Vehicle frames are further treated and polished to enhance resistance and outlook.

- *Processing and assembly of components.* We fine tune each component, including the electric control unit, electric motor, brakes and wheels before mounting them onto the assembly lines for assembly.

- *Surface treatment of plastic parts.* Premade plastic parts are processed and painted according to different designs.

- *Vehicle assembly.* At the final assembly process, motors, wheels, plastic parts and other components are assembled onto the vehicle frame forming a complete vehicle.

- *Post-production quality control.* We conduct quality inspection and test drive each and every complete vehicle.

- *Packaging.* After inspection and test drives, vehicles are generally packaged with protective films or carton boxes. Batteries and certain other components are stored separately.

Existing Production Facilities

As of the Latest Practicable Date, we operated three strategically located production facilities in mainland China. In April 2022, our new factory at our Zhejiang Plant commenced operation. This factory extensively utilizes unmanned material handling systems and overhead conveyor systems that greatly enhance production efficiency. The table below sets forth information regarding our existing production facilities as of April 30, 2023.

Facility Name	Location	GFA	Number of production lines	Primary products manufactured	Geographic coverage	Commencement of production
		(sq.m.)				
Zhejiang Plant	Jinhua, Zhejiang	238,259	11	Electric bicycles, electric mopeds and electric motorcycles	Mainly Eastern China including Zhejiang, Jiangxi, Jiangsu, Anhui, Fujian, and Shanghai	May, 2004
Shandong Plant	Linyi, Shandong	172,087	4	Electric bicycles, electric mopeds and electric motorcycles	Mainly Northern China including Shandong, Shanxi, Henan, Hebei, Beijing and Tianjin	July, 2009
Guangxi Plant	Guigang, Guangxi	136,034	5	Electric bicycles, electric mopeds and electric motorcycles	Mainly Southern China including Guangxi, Hainan, Guangdong, Yunnan and Guizhou	September, 2021

Critical Machinery and Equipment

We endeavor to equip our production facilities with advanced equipment, which we believe is essential to increase automation, ensure reliability, efficiency as well as cost competitiveness. We also use unmanned transport systems and welding robots, which can significantly improve production efficiency and lower unit production costs, to the production process of electric two-wheeled vehicles. The use of such robotic technologies can also enhance workplace safety by reducing human involvement in our manufacturing process.

We purchase various production and testing equipment and parts mainly from domestic suppliers which are then assembled in-house. We have also internally developed many of the production technologies and required customization of certain equipment.

Set forth below are certain critical machinery and equipment applied in our production process.

- Robot manipulator – Robot manipulators are humanoid and programmable production machinery used primarily for the production of vehicles frames and handles, etc. Robot manipulators are especially suitable for flexible production of multiple product types of different production volumes.

- Welding robots – We use welding robots to streamline the welding process, enhance production efficiency and stabilize product quality. The use of welding robots also shields our employees from hazardous fumes, dusts and welding arc flash.

- Coil winding machines – For motors, we use unmanned coil winding machines that offer stable performance and high precision and produces tighter coils using less wires.

- Electro-coating lines – We use electro-coating lines to apply a uniform, even and corrosion resistance coating on metal vehicle frames and other metal parts. Our electro-coating lines require minimal human operation and increase labor efficiency. They are also relatively environmentally friendly as they offer high paint recycle rates.

- Assembly lines – We equip our assembly lines with unmanned transport systems which significantly lower labor intensity, save valuable floor space and increase production efficiency.

Based on our replacement schedule, the expected useful lives of our major machinery and equipment are approximately three to ten years. As of the Latest Practicable Date, the average age of our major machinery and equipment was approximately eight years. We adopt the straight-line method to allocate costs of the relevant equipment over their estimated useful lives to calculate depreciation of our machinery and equipment.

Maintenance

We carry out inspections and maintenance at our production facilities. Each of our major equipment or machinery will be periodically maintained and serviced based on pre-defined schedules. We have developed and periodically update internal procedures at our production facilities according to the characteristics and requirements of the particular equipment or machinery in order to ensure they function properly. During the Track Record Period, we did not experience any material or prolonged suspensions of operations due to machinery, equipment or other facility failures.

Production Capacity

The following table sets forth a summary of our annual production capacity in terms of designed production capacity and utilization rates for our production facilities for the years and periods indicated.

	Year ended December 31,									Four months ended April 30,		
	2020			2021			2022			2023		
Facility	Production capacity[1]	Production volume	Utilization rate[2]	Production capacity[1]	Production volume	Utilization rate[2]	Production capacity[1]	Production volume	Utilization rate[2]	Production capacity[1]	Production volume	Utilization rate[2]
	(million units)		*(%)*	*(million units)*		*(%)*	*(million units)*		*(%)*			
Zhejiang Plant	1.0	0.9	85.1	1.1	1.0	94.4	1.9	1.2	64.1	0.5	0.4	69.1
Shandong Plant	0.8	0.6	74.8	0.8	0.7	86.8	0.8	0.7	88.2	0.3	0.3	87.3
Guangxi Plant[3]	–	–	–	0.2	0.1	63.8	0.6	0.5	85.5	0.3	0.3	89.9

Notes:

1. Production capacity is calculated based on daily production capacity (i.e. production capacity per hour per production line multiplied by daily hours and production lines in each production facility) multiplied by production days per month and production months per year/period and based on the following assumptions: (i) all production lines are functioning in its full capacity; (ii) our production lines operate eight hours per day; and (iii) 299 working days for 2020, 2021 and 2022, respectively and 91 working days for the four months ended April 30, 2023.

2. The utilization rate is calculated based on the production volume for the relevant year/period divided by the production capacity for the relevant year/period.

3. We operated production facilities on rental property in Guangdong which were discontinued and relocated to Guangxi (also on rental properties) around November 2019 as a transitional arrangement prior to the commencement of operation of our Guangxi Plant.

According to Frost & Sullivan, the industry average level of utilization rates is approximately 65%. As such, we have generally maintained high utilization rates during the Track Record Period. The lower utilization rate of our Zhejiang Plant in 2022 was primarily due to the expansion of production capacity following the commencement of operation of the newly established factory in April 2022 and experienced a ramp-up period since then. The utilization rate of our Shandong Plant continued to increase from 74.8% in 2020 to 86.8% in 2021, and further increased to 88.2% in 2022, primarily due to the gradual increase in production volumes to meet the increasing demand for our electric bicycles as reflected by the increase in revenue attributable to electric bicycles from 2020 to 2022. The increase in production capacity and utilization rate of our Guangxi Plant from 0.2 million units in 2021 to 0.6 million units in 2022 and from 63.8% in 2021 to 85.5% in 2022, respectively, were primarily attributable to the ramp-up of its production capacity since its commencement of operation in August 2021.

Production Expansion Plan

According to Frost & Sullivan, sales volume of electric two-wheeled vehicles in mainland China alone is expected to continue to grow in the future and reach 77.2 million units in 2027. Moreover, the utilization rates of our Shandong Plant and Guangxi Plant exceeded the industry average in 2022.

Accordingly, we plan to use a portion of the net proceeds from the Global Offering coupled with our internal resources for the construction of new production facilities, purchase of equipment and machinery for additional production lines and other related ancillary expenses, to meet the estimated market demand. See "Future Plans and Use of Proceeds" for further details. The following table sets forth details of our expected capital expenditure, additional planned production capacity and expected timeline for our production expansion plans.

Location/Facility	Description	Planned production capacity after upgrade/expansion				Expected capital expenditure				
		2023	2024	2025	2026	2023	2024	2025	2026	Total
		(million units)				*(RMB millions)*				
Southwestern China	Construct a new production facility, in a Southwestern China city with mature supply chains and supporting resources, which will involve the acquisition of land use rights, facility construction, equipment procurement and other general expenditures	–	0.8	1.5	2.0	–	225.2	105.1	7.5	337.8
Zhejiang Plant	Addition of new production lines and equipment for our Zhejiang Plant	2.0	2.0	2.0	2.0	32.8	–	–	–	32.8
Shandong Plant	Addition of new production lines and production equipment and enhance warehousing capabilities for our Shandong Plant	1.5	2.4	3.0	3.5	51.5	45.0	15.0	15.0	126.5
Guangxi Plant	Addition of new production lines and equipment and enhance warehousing capabilities for our Guangxi Plant	1.2	1.6	2.0	2.0	4.5	74.8	43.8	–	123.1

There is no guarantee that the expansion project will proceed as planned. See "Risk Factors – Risks Relating to Our Business and Industry – Failure to successfully execute our capacity expansion and equipment upgrade plans may have a material adverse effect on our business, financial conditions and results of operations." Our Directors may determine in the future that postponing a project is in the best interest of the Company after taking into account the prevailing market conditions, our financial resources and other relevant factors. We may also invest in additional expansion projects as we continue to grow our business.

SUPPLIERS AND RAW MATERIALS

Raw Materials

The key raw materials, parts and components for our operations primarily include batteries, including lead-acid batteries and lithium-ion batteries, motors, frames and iron spare parts, plastic parts, shock absorbers and tires. All of our suppliers are located in mainland China. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, raw materials and consumables used attributable to our cost of sales amounted to RMB1,920.7 million, RMB2,775.3 million, RMB3,883.5 million, RMB968.4 million and RMB1,344.5 million, respectively, representing 91.8%, 91.6%, 92.0%, 91.6% and 92.0%, respectively, of total cost of sales for the same periods.

Other than certain raw materials and components such as batteries, control units and brake pads, other raw materials such as metal and plastic components are commodities that can be readily purchased on public markets at transparent prices. During the Track Record Period, prices of our raw materials experienced fluctuations. For example, prices of lithium-ion batteries increased significantly in recent years primarily due to the shortage of lithium supply and booming demand of lithium from both NEV and power storage sectors. We do not engage in hedging using derivative instruments relating to the risk exposures in connection with our raw materials. We typically take into account such fluctuation in raw material costs when pricing our products. To reduce price risks on the procurement side, we generally enter into framework agreements with our suppliers. In particular, we may enter into agreements with price linkage clauses with suppliers of certain components to control price volatility by adjusting the prices periodically based on the price of raw materials or components and other factors. We also may stock up on relevant raw materials in advance in anticipation of price increases. We have not experienced any shortage of raw materials or quality issues with our raw materials during the Track Record Period that materially affected our operations. For a sensitivity analysis on the fluctuations in raw material costs during the Track Record Period, see "Financial Information – Description of Key Components of Our Results of Operations – Cost of Sales".

Suppliers

We strive to obtain high quality supplies from reliable sources at reasonable prices. Our centralized procurement system is jointly managed at our headquarters by procurement team under our business department and support department at our headquarters. Our procurement team is required to make purchases only from those suppliers on our accredited suppliers list. We carefully select our suppliers and require them to satisfy certain evaluation and assessment criteria. Before we engage a new supplier, our team evaluates various aspects of a supplier, including its ability to meet our requirements, production capacity, quality control, innovation capability, technical strength, financial conditions and market reputation. We also require our suppliers to comply with all applicable laws and regulations and inspect their licenses, certifications and other accreditation. We conduct assessments on our suppliers on a regular basis and rank our suppliers based on the results of the assessments. Suppliers that are ranked at the bottom of the ranking are required to make rectifications or we may terminate our cooperation with them.

For critical bottleneck supplies, we may secure exclusive supply arrangements with key suppliers, have multiple suppliers or suppliers with multiple technical solutions while taking their geographic location into account to minimize any potential disruption in our operations, maintain sourcing stability and/or avoid over-reliance risk. For other non-core supplies, we typically cooperate with a smaller number of suppliers to achieve economies of scale and secure competitive prices.

We typically enter into supplier framework agreements with our suppliers setting forth general terms that will be used in each purchase order. Depending on the actual production plan, our raw material and component purchases are made on a purchase order basis, and we specify the product type, quality standards, unit price, quantity, delivery timeline, product return policies and other items in each purchase order we send to our suppliers. Payment terms granted by our suppliers vary depending on a number of factors including the size of the transactions and the types of raw materials or components purchased. We usually settle payment with our suppliers within 180 days. We typically settle our trade payables by bank transfers and bank bills.

We may from time to time enter into strategic cooperative agreements with key suppliers, in order to strengthen the business relationships and further secure sufficient supplies of our quality raw materials and advanced components. Pursuant to such strategic cooperative agreements, we generally secure exclusive supply rights for advanced or patented components of such suppliers and co-develop or improve such components with them to be applied to our electric two-wheeled vehicles. Such strategic partnerships offer us advantages in pricing, priority in terms of production capacity, as well as access to new technologies. We have co-developed and improved advanced electric two-wheeled vehicle technologies and components with certain suppliers, and we believe such collaboration demonstrates suppliers' confidence in our research and development capabilities and prospects. For example, we collaborated with one supplier to develop and enhance the hub brakes used on our vehicles which offer reduced braking distance. Depending on the specific arrangement, the intellectual property rights of the cooperation results may be owned solely by us or the supplier or jointly owned by us and the supplier pursuant to the terms of the relevant agreements. For further details, see "– Research and Development – External Collaboration".

To the best of our knowledge and during the Track Record Period, save as disclosed in "Legal Proceedings and Compliance – Legal Proceedings", we have not been subject to any material product liability claims in respect of the raw materials, parts and components procured from our suppliers, nor have we received any material claims from consumers because of issues arising from raw materials procured from suppliers. We maintained product liability insurance applicable to our products and believe that our existing insurance coverage is adequate for our existing operations and is in line with industry standards. Pursuant to relevant insurance policies, we shall assign our right of recourse against responsible suppliers to the relevant insurance company in the event of product liability claims involving quality issues of parts and components. For details, see "– Insurance".

Major Suppliers

Our major suppliers are suppliers of lead-acid batteries and lithium-ion batteries, control units, magnetic steel and tires. In 2020, 2021 and 2022 and the four months ended April 30, 2023, purchase from our largest supplier in each period during the Track Record Period accounted for 8.1%, 9.8%, 10.4% and 14.4%, respectively, of our total purchase amount for the respective periods. For the same periods, purchase from our five largest suppliers in each period during the Track Record Period accounted for 17.4%, 24.0%, 31.7% and 29.8%, respectively, of our total purchase amount for the respective periods.

The following tables set forth the details of our five largest suppliers by purchase amount for each period of the Track Record Period.

For the year ended December 31, 2020

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier Group A	Zhejiang-based subsidiaries of a company principally engaged in the production of lead-acid batteries, the securities of which are traded on the Hong Kong Stock Exchange	Lead-acid batteries, lithium-ion batteries	2005	15-48 days	166,445	8.1%
Supplier Group B	A Jiangsu based company and its Anhui subsidiary engaged in the R&D, production and sales of lithium-ion batteries	Lithium-ion batteries	2006	40-70 days	50,738	2.5%
Supplier C	A Zhejiang-based company engaged in the production and processing of non-ferrous metal products, motorcycle hubs, motorcycle accessories, etc.	Front and rear wheels	2009	40-70 days	47,993	2.3%
Supplier D	A Jiangsu-based company engaged in R&D, production, processing and sales of integrated circuit power devices and electronic products	Controller	2010	40-70 days	45,862	2.2%

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Fujian Yizhou	A Fujian-based company engaged in the R&D, production and sales of electric bicycles, motors, batteries and accessories.	Lead-acid batteries	2008	22-52 days	43,679	2.1%
					354,717	17.4%

For the year ended December 31, 2021

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier Group A	Zhejiang-based subsidiaries of a company principally engaged in the production of lead-acid batteries, the securities of which are traded on the Hong Kong Stock Exchange	Lead-acid batteries, lithium-ion batteries	2005	15-48 days	297,530	9.8%
Supplier Group E	Subsidiaries of a Zhejiang-based company principally engaged in the production of batteries for electric vehicles, the securities of which are traded on the Shanghai Stock Exchange	Lead-acid batteries, lithium-ion batteries	2003	22-52 days	183,666	6.0%
Supplier Group B	A Jiangsu based company and its Anhui subsidiary engaged in the R&D, production and sales of lithium-ion batteries	Lithium-ion batteries	2006	40-85 days	108,718	3.6%

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier D	A Jiangsu-based company engaged in R&D, production, processing and sales of integrated circuit power devices and electronic products	Controller	2010	40-85 days	81,572	2.7%
Supplier F	A Tianjin-based company engaged in the production and processing of inner and outer tires of automobiles, motorcycles and bicycles	Tires	2017	40-85 days	57,486	1.9%
					728,973	24.0%

For the year ended December 31, 2022

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier Group E	Subsidiaries of a Zhejiang-based company principally engaged in the production of batteries for electric vehicles, the securities of which are traded on the Shanghai Stock Exchange	Lead-acid batteries, lithium-ion batteries	2003	22-52 days	415,560	10.4%
Supplier Group A	Zhejiang-based subsidiaries of a company principally engaged in the production of lead-acid batteries, the securities of which are traded on the Hong Kong Stock Exchange	Lead-acid batteries, lithium-ion batteries	2005	15-48 days	386,790	9.7%

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier Group B	A Jiangsu based company and its Anhui subsidiary engaged in the R&D, production and sales of lithium-ion batteries	Lithium-ion batteries	2006	55-85 days	243,643	6.1%
Supplier D	A Jiangsu-based company engaged in R&D, production, processing and sales of integrated circuit power devices and electronic products	Controller	2010	55-85 days	118,652	3.0%
Supplier G	A Zhejiang-based company engaged in the sales of magnetic materials and rare earth functional materials	Magnetic steel	2014	55-85 days	97,010	2.4%
					1,261,655	31.7%

For the four months ended April 30, 2023

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier E	A subsidiary of a Zhejiang-based company principally engaged in the production of batteries for electric vehicles, the securities of which are traded on the Shanghai Stock Exchange	Lead-acid batteries	2003	22-52 days	187,290	14.4%

Supplier	Background	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
					(RMB'000)	
Supplier Group A	Zhejiang-based subsidiaries of a company principally engaged in the production of lead-acid batteries, the securities of which are traded on the Hong Kong Stock Exchange	Lead-acid batteries, lithium-ion batteries	2005	15-48 days	109,330	8.4%
Supplier D	A Jiangsu-based company engaged in R&D, production, processing and sales of integrated circuit power devices and electronic products	Controllers	2010	55-85 days	39,702	3.0%
Supplier H	A Zhejiang-based company primarily engaged in R&D, production and sales of plastic parts and vehicle spare parts	Plastic parts and vehicle spare parts	2010	55-85 days	26,460	2.0%
Supplier Group I	Zhejiang-based companies engaged in the production and sales of chargers, displayers and other electronics in relation to electric two-wheeled vehicles	Chargers	2003	55-85 days	25,710	2.0%
					388,492	29.8%

Notes:

The following information is extracted from the latest annual reports, public business registrations or websites of the respective companies.

Supplier Group A comprises three private companies incorporated in the PRC in 2010, 2011 and 2018, respectively. Their parent company focuses on the supply of products to electric bike manufacturers in mainland China.

Supplier Group B comprises a private company incorporated in the PRC in 2003, which has a registered capital of RMB321.6 million. Supplier Group B also comprises a private company incorporated in the PRC in 2018, which has a registered capital of RMB2,877.6 million.

Supplier C is a private company incorporated in the PRC in 2003 and has a registered capital of RMB20 million.

Supplier D is a private company incorporated in the PRC in 2011 and has a registered capital of RMB55 million.

Supplier Group E comprises Supplier E, a private company incorporated in the PRC in 1998, and another private company incorporated in the PRC in 2004. Their parent company, which was incorporated in the PRC in 2003, has a registered capital of RMB972.1 million.

Supplier F is a private company incorporated in the PRC in 1996 and has a registered capital of RMB80 million.

Supplier G is a private company incorporated in the PRC in 2006 and has a registered capital of RMB10 million.

Supplier H is a private company incorporated in the PRC in 2010 and has a registered capital of RMB38 million.

Supplier Group I comprises a private company incorporated in the PRC in 2001, which has a registered capital of RMB11 million. Supplier Group I also comprises a private company incorporated in 2013, which has a registered capital of RMB5 million.

Fujian Yizhou, one of our top five suppliers in 2020, was owned as to 27.45% from 2008 to February 2022 and 67.45% from February 2022 and up to the Latest Practicable Date by Lin Pingzai, one of our top five customers during the Track Record Period. Fujian Yizhou stopped production in July 2020 due to its unsatisfactory performance. In January 2022, our Group entered into an equity transfer agreement pertaining to the disposal of our equity interest in Fujian Yizhou. See "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization" for further details. Revenue generated from sales to Lin Pingzai in the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023 accounted for 2.0%, 3.5%, 4.0% and 2.0% of our total revenue for the same periods, respectively. Save as disclosed above, to the best knowledge of our Directors, none of our top five suppliers during the Track Record Period is also our customers.

Supplier Group B, one of our five largest suppliers during the Track Record Period, comprises Phylion Battery Co., Ltd. (星恒電源股份有限公司) which is owned as to 0.5% by Ms. Ni Boyuan, the daughter of Mr. Ni and Ms. Hu, who are our Controlling Shareholders and executive Directors.

Save as disclosed above, as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

QUALITY CONTROL

Product quality is vital to our business, since any potential quality defect may cause significant risks to consumers. Highly reliable products also foster consumer satisfaction and confidence in our brand name which in turn encourages brand loyalty. As such, we maintain rigorous quality assurance policies and processes to ensure that our products conform to our internal product specifications and national and industry standards.

We obtained ISO9001 certification for our quality management system in 2007, a standard and guideline relating to quality management systems and representing an international consensus on good quality management practices, and subsequently renewed such certification for our Zhejiang Production Plant, Shandong Production Plant and Guangxi Production Plant in March 2022, June 2022 and January 2021, respectively. Following our development, we have continuously improved our quality management system. In 2008, we established a testing center which received CNAS Accredited Laboratory (中國合格評定國家認可委員會認可實驗室) certificate in 2019 by China National Accreditation Service for Conformity Assessment (中

國合格評定國家認可委員會) and is capable of carrying out a wide range of rigorous testing on over 200 major items and 1,100 minor items of electric two-wheeled vehicles throughout the entire product development and production process with an aim to minimize any elements that could compromise safety, including 300 hour dynamometer testing on motors, 2,000 times of charge and discharge testing on batteries, fire redundant tests as well as extensive testing on product usage in simulated real-life and extreme settings. As of April 30, 2023, we had a quality control workforce of 381 personnel. Our quality control workforce is responsible for formulating and implementing our quality control policies, and conducting inspections of raw materials, production processes and finished products to identify quality defects. We also collaborate with external parties to enhance our quality control process. For example, we entered into a technical service agreement with a professional testing service provider to jointly establish testing standards for electric two-wheeled vehicles in terms of product marketability, durability and key component life.

Quality Control of Procurement

We only purchase raw materials and components from qualified suppliers who have passed our quality and reliability assessment. We also require suppliers to provide us with relevant certificates. In accordance with our internal guidelines, our quality control staff inspect our raw materials and components for their appearance, specifications and functionality and our testing center conducts tests on randomly selected samples to ensure that the quantity and quality of the raw materials and components meet our specifications before they are accepted. Our quality control system has been designed to identify and address defective or sub-quality raw materials and components as early in the production process as possible.

Quality Control of Production

We follow all relevant standards for the production of our products, including the national mandatory standards and our stricter internal standards. We are required to obtain CCC quality assurance certificates for each product model before selling. Our product certification department are in charge of filing applications for CCC quality assurance certificates with competent authorities and submit product prototypes and other relevant documents to designated testing institutions for testing. As of the Latest Practicable Date, all of our product models in the market have obtained their respective CCC quality assurance certificate as required by relevant laws and regulations.

We have established comprehensive operating procedures to conduct quality control throughout the entire production process in order to ensure that the quality of our products meets the requirements. We conduct regular equipment inspections and maintenance to ensure that our production lines and production process is operating properly. We regularly check our staff members' compliance with our internal operation standards. In addition, we perform routine inspections on semi-finished products and set quality checkpoints during the key production process to ensure consistent quality of our products. We have also devoted substantial resources to streamline our production process which we believe will enable us to enhance our quality control capabilities by reducing human involvement and error.

Quality Control of Finished Products

Our quality management system extends to the quality of products in the storage, delivery and sales stages so as to ensure that our products are stored, delivered and sold in good condition. Our finished products are packaged and stored in designated zones within our production facilities and warehouses before they are delivered to our customers. We conduct random out-of-box inspection on our finished products. Additionally, we take safety measures to minimize fire hazards, water damage and other similar risks to our finished products.

LOGISTICS AND INVENTORY MANAGEMENT

Warehousing and Logistics

We primarily utilize warehouses located at our production facilities as well as warehouse leased from third parties in various regions to meet our storage needs and ensure the delivery of our products across our distribution network efficiently and economically. As of the Latest Practicable Date, other than warehouses within our production facilities, we had 13 warehouses located across seven provinces and two municipalities including Shanghai, Jiangsu, and Hubei.

We procure delivery services from third-party logistics service providers. As of April 30, 2023, we collaborated with five third-party logistics service providers. We select logistics service providers based on their track record, geographic coverage, management ability and price. Our arrangements with third-party logistics service providers allow us to provide fast and efficient delivery services of our products, reduce our capital investment and reduce the risk of incurring liability for traffic accidents, delivery delays or loss. Once our logistics service providers confirm receipt of the products to be delivered, the risks relating to the transportation and delivery of our products are transferred to the logistics service providers. During the Track Record Period, we did not experience any material disruption in the delivery of our products or suffer any loss as a result of delays in delivery or poor handling of goods.

Inventory Management

Our inventories primarily consist of raw materials, work in progress and finished goods. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our inventory turnover days were 30.0 days, 35.9 days, 36.0 days and 35.5 days, respectively. See “Financial Information – Selected Key Balance Sheet Items – Inventories” for details.

We use our ERP system to track our inventory level, which enables us to monitor our inventory on a timely basis in order to maintain sufficient levels of raw materials, finished and semi-finished products. We procure raw materials and plan our production activities based on our historical sales, sales forecasts as well as the actual sales activities and purchase orders. We communicate our estimated demand to raw material suppliers to plan ahead and store sufficient raw materials and components. Subject to fluctuations during off-season and peak seasons and depending on the type of raw material and its availability, we usually maintain a minimum level of inventory for certain main raw materials which is the estimated amount we consider necessary to meet any increase in demand for products, and to ensure that there are no disruptions in supply of products. For example, we maintain different levels of plastic parts during peak seasons depending on estimated monthly demands and typically maintain three- to five-day's worth of general-purpose components and three-day's worth of batteries. Meanwhile, in order to ensure the stability and efficiency of supply, we are actively discussing with our suppliers for them to maintain transit warehouses located within one kilometer from our production facilities where they would store their products.

Leveraging various data feeds, we are able to access information of many of our distributors, including their sales volume, selling prices, estimated volume of inventory on their hand and turnover rate. With such information, we are able to: (i) monitor sales performance of distributors, (ii) understand latest market demand for our products, (iii) prepare sales forecasts and production plans, and (iv) maintain optimal levels of inventory at our end which can satisfy market demand in a timely manner without increasing the risk of inventory obsolescence.

SALES AND DISTRIBUTION

Overview

During the Track Record Period, we sold our products primarily in mainland China through our network of offline distributors, and to a much less extent, in certain other countries and regions, including Thailand, Indonesia and the Philippines. We also distribute our products through online channels comprising our self-operated online stores on major e-commerce platforms and social media platforms. Furthermore, with the rise of shared economy and on-demand e-commerce, especially those that utilize electric two-wheeled vehicles, we customized and manufactured electric two-wheeled vehicles for a number of leading shared mobility service providers and on-demand e-commerce brands, and other corporate and institutional customers.

The table below sets forth a breakdown of revenue from sales of our products by channel during the periods indicated:

	Year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Offline channels	1,664,844	70.7	2,771,684	82.4	4,245,048	89.8	1,057,484	92.3	1,455,681	89.3
Online channels	97,550	4.1	108,768	3.2	271,697	5.7	24,333	2.1	72,041	4.4
Corporate and institutional clients	554,037	23.5	421,003	12.5	96,427	2.1	17,897	1.6	94,614	5.8
Overseas distributors	39,493	1.7	63,252	1.9	114,597	2.4	45,908	4.0	7,561	0.5
Total	2,355,924	100.0	3,364,707	100.0	4,727,769	100.0	1,145,622	100.0	1,629,897	100.0

The following table sets forth a breakdown of our gross profit and gross profit margins of our products (excluding provision of services) by sales channels for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(In thousands, except for percentages)						*(unaudited)*			
Offline channels	167,489	10.1	261,430	9.4	401,276	9.5	69,048	6.5	137,245	9.4
Online channels	17,913	18.4	18,468	17.0	54,674	20.1	5,508	22.6	20,790	28.9
Corporate and institutional clients	64,539	11.6	35,369	8.4	14,406	14.9	1,402	7.8	9,146	9.7
Overseas distributors	13,875	35.1	18,867	29.8	35,721	31.2	12,176	26.5	1,752	23.2
Total	**263,817**	**11.2**	**334,133**	**9.9**	**506,078**	**10.7**	**88,134**	**7.7**	**168,933**	**10.4**

For detailed analysis, see "Financial Information – Description of Key Components of Our Results of Operations – Gross Profit and Gross Profit Margin."

Offline Channels

In line with industry norm, we primarily sell our products through our network of offline distributors to effectively cover the mainland China market. According to Frost & Sullivan, offline distribution channels are the most important distribution channels for electric two-wheeled vehicles in mainland China. To a substantially lesser extent, we also sold a few of our products directly to consumers, including our employees, mainly during special occasions such as anniversary of our production plants or clearing of products that were used in display. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from direct sales was approximately RMB5.2 million, RMB1.6 million, RMB1.0 million, RMB0.1 million and RMB0.1 million, respectively. We typically sell our products to local distributors who further sell our products directly to end customers or sub-distributors. As of April 30, 2023, we cooperated with 1,314 offline distributors in mainland China who controlled over 11,400 retail outlets in 319 cities across 30 provincial-level administrative regions in mainland China. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from offline channels was RMB1,664.8 million, RMB2,771.7 million, RMB4,245.0 million, RMB1,057.5 million and RMB1,455.7 million, respectively, representing 70.7%, 82.4%, 89.8%, 92.3% and 89.3% of our revenue from sales of products for the same periods.

The map below illustrates the number of our offline distributors as of April 30, 2023:

The table below sets forth a breakdown of revenue from offline channels by geographical regions for the periods indicated:

	Year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Eastern China	884,198	53.1	1,517,639	54.8	2,508,014	59.1	571,498	54.0	728,768	50.1
Central and southern China	463,614	27.8	756,718	27.3	1,090,314	25.7	300,338	28.4	432,091	29.7
Southwestern China	87,193	5.2	134,292	4.8	250,946	5.9	74,059	7.0	125,391	8.6
Northern China	117,044	7.0	217,198	7.8	218,029	5.1	58,096	5.5	102,103	7.0
Other regions	112,795	6.8	145,837	5.3	177,745	4.2	53,493	5.1	67,328	4.6
Total	1,664,844	100.0	2,771,684	100.0	4,245,048	100.0	1,057,484	100.0	1,455,681	100.0

We consider a number of selection and evaluation criteria in selecting offline distributors while taking regional differences into account, including, among others, their industry experience, market coverage, reputation and credibility, financial conditions, management capabilities, legal compliance status, understanding of our brand concept and business philosophy, size and quality of employee team, and warehousing and logistics capabilities. Only candidates that pass our selection and evaluation criteria will be qualified as our contracted offline distributors. Set forth below are certain details of our selection and evaluation criteria for distributors.

- *Licenses and certifications*. Distributors must have obtained business license or otherwise have been approved by the relevant authorities to conduct business in the sales of electric two-wheeled vehicles.

- *Industry experience*. In order to ensure the sustainable and healthy development of our brand and business and avoid cannibalization, we set strict regional designated distribution areas and sales experience requirements in the process of distributor selection.

- *Financial conditions.* Distributors shall have sufficient start-up and working capital to support their operating activities and continuous operation.

- *Business premises.* We require distributors to have their own properties or leased properties to be used as their retail outlets to ensure certain storefront advantages.

- *Brand concept and service awareness.* Distributors shall abide by our regulations in their operations, understand and recognize our brand concept and business philosophy. At the same time, distributors shall have the motivation and awareness to provide warm and thoughtful service to consumers and shall be able to improve the shopping experience of consumers under our guidance.

- *Administrative penalties.* We pay close attention to the nature, severity and results of distributors' past legal compliance status. Past administrative penalties, if any, shall have been properly settled and distributors must recognize the importance of operating in compliance with laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we have maintained good business relationships with our offline distributors. The table below sets forth the movement in number of our offline distributors during the periods indicated:

	For the year ended December 31,			For the four months ended April 30,
	2020	**2021**	**2022**	**2023**
Number of distributors at the beginning of the period	1,222	1,114	1,108	1,236
Number of new distributors[1]	251	354	375	139
Number of terminated distributors[2]	(359)	(360)	(247)	(61)
Net increase/(decrease) in distributors	(108)	(6)	128	78
Number of distributors at the end of the period	1,114	1,108	1,236	1,314

Notes:

1. Number of new distributors represents those distributors that made purchases from us for the year/period indicated but did not purchase from us for the year immediately preceding the year/period indicated.

2. Number of terminated distributors represents those distributors that we directly terminated during the year/period indicated and those distributors that made purchases from us for the year/period indicated but did not purchase from us for the year/period immediately subsequent to the year/period indicated.

We have a long-term and stable relationship with our major offline distributors. As of April 30, 2023, we had business relationships with our five largest offline distributors in mainland China for each period of the Track Record Period for an average of approximately ten years. In 2020, 2021 and 2022 and the four months ended April 30, 2023, revenue generated from our five largest offline distributors in mainland China in each period during the Track Record Period amounted to approximately RMB121.9 million, RMB332.9 million, RMB534.4 million and RMB168.5 million, respectively, representing approximately 5.1%, 9.7%, 11.2% and 10.2%, respectively, of our revenue for the respective periods. In 2020, 2021 and 2022 and the four months ended April 30, 2023, revenue generated from our largest offline distributor in each period during the Track Record Period amounted to approximately RMB47.7 million, RMB119.0 million, RMB189.0 million and RMB40.0 million, respectively, representing approximately 2.0%, 3.5%, 4.0% and 2.4%, respectively, of our revenue for the respective periods. The increase in revenue contribution of the five largest distributors in each period during the Track Record Period was primarily because, as our strategy, we tend to engage high-quality distributors with strong and stable sales performance and have provided customized strategies tailored to specific local market conditions to help further increase their sales.

We actively manage our offline distributors and determine whether to continue our contractual relationships with them based on their performance. During the Track Record Period, we engaged 251, 354, 375 and 139 new distributors in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. During the same period, we terminated distribution relationships with 359, 360, 247 and 61 distributors in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively, primarily due to (i) our channel consolidation strategy whereby we replaced certain distributors with ones with larger scale or better performance. In this process, some of the distributors that were replaced became sub-distributors of new first-tier distributors; (ii) their subpar performance; (iii) our termination of agreements with distributors who violated our distribution agreements or policies including unauthorized alteration of our products and sales of competitive products in Luyuan branded retail outlets; and (iv) closure of business due to poor management or other personal reasons. Revenue attributable to such terminated distributors amounted to approximately RMB78.5 million, RMB122.3 million, RMB77.1 million and RMB1.0 million, respectively, in 2020, 2021 and 2022 and the four months ended April 30, 2023. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with these terminated distributors. In line with industry practice, for distributors that have terminated their business relationship with us, if they still have inventory remaining, it is our policy that we do not accept their product return; instead, we usually coordinate with other newly engaged distributors in the relevant region to take over their remaining inventory, if any.

Distribution Agreements with Offline Distributors

We typically enter into written distribution agreements with our offline distributors. During the Track Record Period, each distributor was assigned designated account(s) in our distributor management system and orders are recorded in such system from ordering to settlement. Set out below are the key terms of standard distribution agreements we enter into with our offline distributors:

Duration	The duration of the distribution agreements is one year and are renewable subject to our evaluation of, among other things, distributor's performance.
Exclusivity	Our distributors are prohibited from selling any competitive products sourced from other suppliers in *Luyuan* branded retail outlets.

Charge of training and other service fees	We charge to our distributors a one-off fixed service fee for each retail outlet for site selection and training services we provide to them and their sub-distributors mainly related to product display and repair of our products. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from such services amounted to RMB22.4 million, RMB53.0 million, RMB55.3 million, RMB16.3 million and RMB21.5 million, respectively.
Designated distribution area	Distributors are not allowed to sell our products outside the designated distribution area. Unless otherwise authorized, distributors are not allowed to sell our products on online channels.
Minimum purchase requirements	We set annual and monthly minimum purchase requirements for distributors taking into account their size, designated distribution area, their historical sales records and our estimates of local demand. Our minimum purchase requirements do not constitute mandatory purchase obligation for distributors, but mainly serve as reference for us to evaluate the performance of distributors and provide rebates to distributors while offering us the flexibility to adjust our sales arrangement with distributors. Failure to meet monthly minimum purchase targets for two consecutive months or accumulatively three months in a year might result in adjustment of the designated distribution area or termination the distributor relationship. Our distributors typically sell our products to end customers directly or to sub-distributors. To our best knowledge, distributors' procurement from us for sales to end customers are typically not on a back-to-back basis while, with respect to sales to sub-distributors, some distributors purchase from us after receiving orders from sub-distributors but also procure from us based on their estimations of local demand and their expansion plans.

Rebates

To motivate distributors, we offer rebates to distributors, under certain circumstances, such as when their total purchase amount exceeds a predetermined amount in a period or when certain other conditions are met, or when they participate in our periodical marketing and promotion plans. In January 2022, we upgraded our sales rebates policies with a loyalty program, under which distributors can accumulate rebates in the form of loyalty points for purchases they make that entitle them to discounts on future purchases of our products. Our sales rebates are deducted from our revenue. For further details of the relevant accounting policy, see "Financial Information – Critical Accounting Policies, Estimates and Judgements – Revenue Recognition." In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, approximately RMB147.7 million, RMB281.3 million, RMB478.5 million, RMB117.6 million and RMB182.1 million, or 8.9%, 10.1%, 11.3%, 11.1% and 12.5% of our revenue from offline channels, were deducted from our revenue. According to Frost & Sullivan, it is an industry norm for electric two-wheeled manufacturers to offer sales rebates as incentives to its distributors in order to encourage distributors who have achieved good sales performance, or as part of manufacturers' marketing and sales promotion initiatives and the Group's rebates offered to offline distributors during the Track Record Period as percentages of revenue from offline channels was generally in line with industry norm.

Anti-corruption and anti-bribery obligations

Distributors and their employees are prohibited to, for any reason and in any form, directly or indirectly provide any rebate, commission or object etc., to our employees or their relatives. We deem such actions as commercial bribery and, in serious cases, may terminate the distribution agreement.

Transportation and logistics

Distributors are generally required to arrange transportation of products from our warehouses to their retail outlets. Upon the requests of the distributors, we may arrange third party logistic service providers to deliver the products with the logistics expenses born by the distributors. We bear the risks before the products are handed to the distributors or the logistics service providers.

Recommended wholesale and retail price	We set guidance on wholesale and retail prices for distributors sales to sub-distributors and end customers through our distributor management system.
Product Modification	Distributor shall not modify any part or component of our vehicles, including but not limited to replacing/changing the vehicle motor, vehicle controller and other accessories.
Management of retail outlets	Distributors shall operate retail outlets in accordance with our guidelines.
Return of products	Except for products with material quality defects, products are not allowed to be returned once the distributor or logistics service provider has confirmed receipt of the goods. We have not experienced any material product returns during the Track Record Period and up to the Latest Practicable Date. We believe that this product return policy, coupled with our general requirement of payment-before-delivery, discourages distributors from over-ordering and prompts them to purchase our products based on actual demands and avoid large inventory accumulation which helps us avoid channel stuffing.
After-sale services	Distributors are responsible for after-sales services including repairing and replacing products pursuant to product warranties. The scope of the warranty is specified in the product brochure. We are responsible for providing parts and components to distributors for them to carry out repairs pursuant to product warranties.
Termination	We are entitled to terminate the distribution agreement if the distributor or its sub-distributors materially breaches the contract, or if the distributor continuously fails to meet the minimum purchase target.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any of our distributors committing any material breach of their distribution agreements or any material claims or non-compliant incidents regarding our distributors.

Management of Offline Distributors

We proactively manage our distributors to ensure healthy and orderly distribution networks, mitigate cannibalization among distributors and distribution channels, avoid channel stuffing and to protect our brand and reputation. Set forth below are key aspects of our distributor management policies and measures.

- *Geographic exclusivity.* We grant specific geographic regions to our offline distributors so that we can reduce the degree of competition between different offline distributors. We take into account a number of factors when determining designated geographic regions for offline distributors, including geographic location of the relevant retail outlets, population density, consumer purchasing power and competition in the surrounding area. The distribution agreements we signed with distributors generally specify the designated geographic areas. Our distribution agreements generally prohibit the distributors from selling the products outside the respective designated geographical regions or online channels;

- *Periodic and ad hoc on-site inspections.* We leverage a variety of measures to inspect and monitor our distributor and sub-distributor retail outlets in addition to real time monitoring through our distributor management system. Our regional sales teams conduct scheduled and occasional unannounced on-site inspections of our distributor and sub-distributor retail outlets to monitor business operations of distributors and sub-distributors including sales performance, inventory level, service quality and compliance with our policies and guidelines.

  We divide on-site inspections into routine inspections for all retail outlets and special inspections for retail outlets with abnormal or unsatisfactory sales performance. We require all retail outlets to be inspected at least once every three months, whether through on-site inspections by our regional sales teams or third parties we engage, remote inspections through surveillance cameras or review of site photos. For retail outlets with abnormal or unsatisfactory sales performance discovered through our distributor management system, we perform on-site inspection at least once every month. We require our sales managers to visit at least ten distributor retail outlets per month. In 2020, 2021 and 2022 and the four months ended April 30, 2023, we had approximately 120, 200, 270 and 270 sales managers that performed this task, respectively. To strengthen our management over distributors, we also conduct remote inspections and over 3,700, or 33% of our retail outlets as of April 30, 2023 have installed surveillance cameras which we have access to from our headquarters. Most of the retail outlets opened after 2019 with strong sales performance have installed such surveillance cameras, and we are in the process of installing surveillance cameras for the remaining retail outlets. For the retail outlets with surveillance cameras, our operation teams are able to more conveniently monitor a variety of aspects including product compliance, product display and uniformity of decorations, and rate the retail outlets accordingly. For the retail outlets without surveillance cameras, (i) we carry out routine and special on-site inspections as described above, (ii) we require distributors to complete a self-check list and submit photos for us to inspect; and (iii) we engage external third parties to carry out on-site inspections and submit photos for us to inspect. We may also require distributors to carry out on-site inspections of retail outlets operated by their sub-distributors. Non-compliant distributors are required to address all issues identified in a timely manner.

- *Monitoring of sales and inventory records.* As of the Latest Practicable Date, all of our distributors and sub-distributors have access to and have adopted our in-house developed distributor management system which provides transparency of sales activities of distributors and sub-distributors and enables us to monitor sales data and estimate the inventory levels of distributor retail outlets and, to a certain extent sub-distributor retail outlets as well, to avoid accumulation of inventory. However, the effectiveness of this system is also subject to the continuous and prompt update of information of distributors and subdistributors.

  While we encourage distributors and sub-distributors to enter sales information in a timely manner and as complete as practicable, we specifically ask and train our distributors (and ask them to encourage and train their sub-distributors) to use the e-warranty card function in our distributor management system when selling our products. Specifically, when a customer purchases our vehicle, sales staff of the retail outlet may introduce the e-warranty card to customers and, if the customer opts for the e-warranty card, collects the customer's information upon his/her consent and enters the same in our system. In order to activate the e-warranty, the sales staff must also enter the corresponding vehicle's information in our system. Compared to traditional paper warranty cards which are easy to lose, e-warranty cards are more convenient for consumers. In addition, e-warranty cards are automatically recognized in our systems, thereby increasing efficiency and accuracy when recording sales and purchase data. In 2020, 2021 and 2022 and the four months ended April 30, 2023, approximately 0.9 million, 1.1 million, 1.7 million and 0.6 million consumers opted for e-warranty cards, respectively. Assisted by comparing the sales and purchase data of distributors (or sub-distributors) in a given period against their performance in a previous comparable period or performance of other comparable distributors, together with information collected by our sales managers through on-site and remote inspections, we are able to generally estimate the inventory levels within our sales channels. We check the estimated inventory levels of distributors and sub-distributors against sales records and the size of the respective retail outlets to determine whether their inventory is at reasonable levels and whether there is any excessive accumulation of inventory by distributors. In the event that we identify any abnormal sales or inventory data, we actively follow up with relevant retail outlets and may arrange on-site inspections. During the Track Record Period and up to the Latest Practicable Date, we have not identified any abnormal sales or inventory data which required us to suspend sales to distributors. Going forward, we plan to further encourage distributors and sub-distributors to use the e-warranty card function by linking such practices with our distributor performance evaluation criteria, pursuant to which only sales with e-warranty cards will be recognized for the purpose of performance evaluation and grant of rebates.

  Our IT department is also in the process of developing a system which better supports real time sales data recording to better manage the inventory level and sales information of distributors and sub-distributors.

In addition to our periodic and ad hoc inspections, either through on-site visits by our regional sales teams, external third parties, surveillance cameras or review of site photos, and monitoring through our distributor management system, we also control and manage channel stuffing risks among our distribution network through distributorship agreements and a number of distributor management policies and measures, including (i) we generally require payment before delivery from our distributors and, to the best of our knowledge, our distributors also generally deliver products to sub-distributors on a payment-before-delivery basis; (ii) save for major quality defects, we do not allow products return and typically only provide repair or exchange of defective products, and, to the best of our knowledge, our distributors typically adopt the same approach when making sales to their sub-distributors, and (iii) we provide recommendations on product pricing as well as support on sales and marketing to our distributors, especially those with abnormal or unsatisfactory sales performance, to help them avoid inventory accumulation. As such, we believe that our sales to distributors correspond to actual end-customer demand and therefore our products are at low risk of channel stuffing in our distribution network. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any incidents of material channel stuffing.

For illustrative purpose only, the table below shows the inventory level and turnover days as of the dates and for the years/periods indicated.

	As of/For the year ended December 31,			As of/For the four months ended April 30,	As of/For the seven months ended July 31,
	2020	**2021**	**2022**	**2023**	**2023**
Inventory level (*'000 units*)	348	448	624	726	775
Turnover days	N/A	96	88	107	N/A

Notes:

1. The figures in the table above are for illustrative purpose only as they are based on reports and confirmations from distributors and/or sub-distributors within our network (as of April 30, 2023 for the Track Record Period and July 31, 2023 for the seven months ended July 31, 2023) provided to us upon our request but not verified by us and does not cover information of retail outlets of distributors or sub-distributors that have been terminated as of prior to the reference dates.

2. Turnover days are calculated by the average of the beginning and ending balance of inventories of retail outlets of the relevant year/period divided by sales volume of our offline channels multiplied by 365 days for the years ended December 31, 2020, 2021 and 2022, by 120 days for the four months ended April 30, 2023 and by 210 days for the seven months ended July 31, 2023.

3. Turnover days for the year ended December 31, 2020 was not applicable as the balance of inventories at the beginning of 2020 was not available; turnover days for the seven months ended July 31, 2023 were not available as sales volume of our offline channels for the corresponding period was not available.

Based on the inventory level above and that our offline network in mainland China covered over 11,400 retail outlets as of April 30, 2023, we estimate that each retail outlet possessed approximately 60 to 70 vehicles as of April 30, 2023.

To mitigate the risk of cannibalization among our distributors, we clearly delineate their geographic coverage and our distribution agreements explicitly prohibit our distributors from selling our products outside the respective designated geographical regions. Our distributors are required to ensure their sub-distributors operate within their designated geographical regions. We are entitled to terminate the distribution agreements with those distributors that repeatedly engage in cannibalization and require distributors to terminate their relationships with sub-distributors that violate our policies. In addition, each of our vehicles is assigned a unique vehicle frame code (車架號) before being delivered to distributors. This code allows us to trace back to the relevant distributor when conducting on-site inspections and thereby deters cross-region sales. We believe that distributors of electric two-wheeled vehicles, as compared to distributors of other types of retail products (such as daily chemicals that are much smaller in size), do not have strong incentive to engage in cannibalization as the sales of electric two-wheeled vehicles in any region typically requires an established physical storefront and warehouse to display and store the vehicles which significantly increases their costs. We also leverage the e-warranty card function of our distributor management system that only allows the entering of sales information for products within their designated geographic region to further minimize risks of cannibalization. We are able to detect material cannibalization by following up with abnormalities between purchase and sales data of distributors through on-site inspections. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material incidents of cannibalization among our distributors and sub-distributors.

We have a seller-buyer relationship with our distributors and revenue is recognized when the ownership of our products has been transferred to our distributors. We do not rely on any of our distributors individually. To the best knowledge of our Directors, substantially all of our distributors are Independent Third Parties. Save as elaborated under the paragraph headed "– Credit Policies and Financial Assistance to Distributors" below, during the Track Record Period, a number of our employees or former employees were shareholders or key personnel of, or were related to, a total of four distributors. Our Directors confirm that the sales to such distributors were conducted on an arm's length basis on normal commercial terms which were fair and reasonable and treated such distributors in an equal manner as the way we treat other independent distributors. During the Track Record Period, such distributors contributed less than 1.9% of our revenue generated from sales of products to offline channels. Our Directors also confirm that with respect to employee distributors, we have either ceased distribution relationships or terminated employment with relevant employees as of December 31, 2021. To the best of our Director's knowledge, none of these employee distributors have any past or present relationship (including, without limitation, shareholding, family, business or trust relationship), transaction (including, without limitation, financing), agreement, arrangement or understanding (whether express or implied) with our Company, its subsidiaries, shareholders, directors, senior management, customers, suppliers or subcontractors, or any of their respective associates, except for being employee or former employees of our Group and in the capacity as a distributor of our Group. In addition, we have adopted the following measures to continuously improve our corporate governance in terms of independence of distributors and sub-distributors:

- we prohibit employees to engage in any business collaboration with our Group either in his/her personal capacity or through entities controlled by him/her;
- we request each newly hired employee to sign a form of declaration of interests confirming their independence from our distributors and sub-distributors; and
- our human resource department performs background checks on our distributors and sub-distributors (to the extent of available information on sub-distributors provided by distributors) on a sampling basis to ascertain if there is any relationship between distributors/sub-distributors and our employees.

Distributor retail outlet support and service

During the Track Record Period, our distributors typically cover multiple points of sales directly or through sub-distributors within their respective designated regions. During the Track Record Period, the number of retail outlets within our distribution network was over 5,400, 7,800, 9,800 and 11,400, respectively, as of December 31, 2020, 2021 and 2022 and April 30, 2023. We require distributors and sub-distributors to distribute our products through retail outlets only.

Our sales and marketing team is responsible for managing and supporting our distributor retail outlets, which include, among other things, (i) soliciting and selecting potential distributor candidates; (ii) ensuring their compliance with the relevant distributorship agreements including the adoption of our retail outlet decoration, product display and pricing guidelines; and (iii) monitoring and conducting on-site inspections of distributor retail outlets. Set forth below are key distributor management measures and support and services we provide to our distributors in connection with distributor retail outlet management.

- *Assessment of retail outlet locations.* Prior to engagement of potential distributors, our sales and marketing team assists potential distributors to identify potential retail outlet sites. Our sales and marketing team considers a number of factors including geographic location, population density, consumer purchasing power and competition in the surrounding area. Such assistance helps our distributors make informed decisions on their site selection processes and also helps us manage competition between our distributors.
- *Retail outlet decoration and product display.* To provide standardized shopping experiences and deliver a consistent brand image to end-customers, we directly manage the decoration and refurbishment of retail outlets and have borne the relevant decoration and refurbishment costs since July 2019. For retail outlets that are relatively smaller in scale, we typically provided them with the necessary decorative supplies and materials for

them to handle decoration themselves. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, decoration costs we bore amounted to RMB55.4 million, RMB123.7 million, RMB132.0 million and RMB46.4 million involving approximately 730, 2,350, 3,440, 1,530 retail outlets, respectively. The average decoration costs of a retail outlet amounted to approximately RMB76 thousand, RMB53 thousand, RMB38 thousand and RMB30 thousand for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively, calculated by dividing the amount of decoration costs we bore by the number of retail outlets decorated in the year/period. As of December 31, 2020, 2021 and 2022 and April 30, 2023, prepayment of decoration costs recorded under other receivables and prepayments of the Group amounted to RMB0.6 million, RMB87.4 million, RMB155.3 million and RMB181.2 million, respectively, among which prepayment of decoration costs attributable to sub-distributors amounted to RMB0.4 million, RMB46.5 million, RMB96.0 million and RMB113.0 million as of the same dates, respectively. We also provide retail outlet decoration and product display guidelines to ensure that our retail outlets continuously adopt uniform designs, appearance, decoration, layout and color schemes. Set out below are the key terms of the decoration support agreements we entered into with relevant distributors and the relevant sub-distributors where applicable:

Duration	Generally three to five years, the relevant distributor or sub-distributor is required to keep the decorations in place throughout.
Decoration cost	We pay for the decoration of the retail outlets in full on behalf of the relevant distributors and sub-distributors, which is determined based on factors including size and geographical location of the retail outlets, condition of the retail outlets before decoration and quotation of the decoration companies.
Notification of decoration progress	The relevant distributor or sub-distributor shall within five days after the decoration is completed provide us with detailed photos and confirmation receipts evidencing completion, otherwise, the relevant distributor or sub-distributor shall return 20% of the total decoration fees for each month of delay.
Exclusivity	Relevant distributors and sub-distributors are prohibited from selling any competitive products sourced from other suppliers in the decorated retail outlets.

Minimum sales requirements	We generally set minimum sales requirements on sales volume for the duration of the agreement taking into account the decoration costs we bear and the estimated annual sales of the retail outlet. During the Track Record Period, the vast majority of minimum sales requirements for a retail outlet ranged between 100 to 1,000 vehicles per year for the term of the decoration support agreements. Failure to meet the sales commitment constitutes breach of agreement, in which case the distributor shall return part of decoration costs borne by us in proportion to the unfulfilled portion of its minimum sales commitment.
Management of retail outlets	Distributors/sub-distributors shall maintain the appearance, layout and brand presentation at their retail outlets by keeping the decorations in place. They shall ensure the safety of the retail outlets, install relevant devices such as inspection cameras and smoke detectors, purchase relevant insurances and actively participate in promotional events.
Events of default	Events of default under the decoration support agreements include, among others, (i) change or remove of decorations without authorization and (ii) arbitrarily close the retail outlet or breach of exclusivity. If an event of default occurs and is not rectified, we are entitled to damages commensurate to the total amount of decoration costs borne by us and suspend all relevant rebates. Distributors shall assume joint and several liability for all amounts due from their relevant sub-distributors.

According to Frost & Sullivan, the decoration costs of a new urban retail outlet generally range from RMB80 thousand to RMB100 thousand while flagship stores at premium locations could reach RMB250 thousand. In addition, the decoration costs of retail outlets located in counties, suburbs or rural regions generally range from RMB20 thousand to RMB60 thousand. During the Track Record Period, with an aim to develop county and suburb markets, many of the retail outlets that received our decoration support were located in counties or suburbs which require relatively simple decorations. Considering the minimum sales requirement (generally 100 to 1,000 vehicles per year for the term of the decoration support agreements), average selling price and gross profit margin of our products, we believe our profit attributable to the minimum sales requirements is able to cover the decoration costs we bear.

Despite the relatively thin gross profit margin of electric two-wheeled vehicles and the long payback period, according to Frost & Sullivan, it is common practice in the industry to settle decoration costs on behalf of distributors and sub-distributors and the terms of our decoration support agreements are in line with industry norm. This arrangement helps distributors and sub-distributors avoid bearing significant upfront costs before generating sales, which allows for faster distribution network expansion for electric two-wheeled vehicle manufacturers. In return, distributors and sub-distributors commit to minimum sales volumes and maintaining retail outlets exclusive to our products. This approach helps us stay competitive and benefit in the long run from increased brand visibility and distribution network expansion.

- *Training.* We place great emphasis on the training of retail outlet staff and provide our distributors with training on a variety of topics, including our brand history, brand image, marketing strategies, product knowledge and repair and maintenance skills. We also provide periodical training to our distributors to help them understand our distribution policies such as prohibition of cannibalization.

- *After-sale services.* we maintain telephone and online channels to answer distributors' questions or troubleshoot problems on issues such as product quality, technical difficulties, product return and exchange, and handling customers' complaints.

We believe our support and services to distributors and their sub-distributors have strengthened our relationships with them and helped us maintain their loyalty. We may also benefit from word-of-mouth references from our existing distributors to attract potential distributors.

Sub-distributors

In line with industry practice in mainland China, we allow distributors to engage sub-distributors within their designated geographical region. Such sub-distributors are typically local sellers and/or repairers of electric two-wheeled vehicles that are relatively smaller in scale as compared to first-tier distributors and operate as individuals or legal entities established by individuals, such as private enterprises. To the best knowledge of our Directors, as of April 30, 2023, our distributors had in aggregate over 9,600 sub-distributors. As of December 31, 2020, 2021 and 2022 and April 30, 2023 and up to the Latest Practicable Date, based on information submitted by distributors through our distributor management system, 484, 577, 607, 649 and 681 distributors engaged sub-distributors. To the best knowledge of our Directors, all of the sub-distributors were Independent Third Parties, and we are not aware of any relationship between the sub-distributors and our employees or former employees.

We do not have direct contractual relationships with the sub-distributors that are used by our distributors. We delegate to our distributors the authority to choose their sub-distributors and negotiate the transaction terms directly with them, and we rely on our distributors to limit their sub-distributors' activities within the distributor's designated distribution territory. Under our standardized distribution agreement, our distributors are responsible for managing their sub-distributors including limiting them to resell our products within the designated distribution areas. In addition, we have adopted measures to ensure that sub-distributors operate in line with our overall sales and distribution strategy. These measures include our sales personnel visiting sub-distributors and their retail outlets from time to time, communicating with them, providing support and training, and collecting information and feedback from sub-distributors. If we become aware of any non-compliance or misconduct of a sub-distributor, we will notify the relevant distributor and sub-distributor accordingly and request them to take rectification and improvement measures. In case of any material breach or that any sub-distributor's activity disrupts the market of our products, we are entitled to require the relevant distributor to terminate its relationship with the relevant sub-distributor or, in serious cases, terminate the distribution agreement with the relevant distributor in accordance with the distribution agreement. Although certain sub-distributors were subject to administrative penalties as a result of unauthorized alterations and certain other reasons during the Track Record Period, considering that (i) relevant sub-distributors have complied with the administrative penalty decisions and rectification requirements to the satisfaction of the relevant government authorities and us, and (ii) to the best of our knowledge, none of the relevant sub-distributors were subject to multiple administrative penalties for the same underlying reasons during the Track Record Period, we are of the view that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material violation of our sales policies by sub-distributors or any material claims or non-compliant incidents regarding sub-distributors. For further details of administrative penalties in relation to sub-distributors, see "– Distributor Administrative Penalty Decisions."

Credit Policies and Financial Assistance to Distributors

Credit limits

During the Track Record Period, our sales to most of our offline distributors were made on a payment-before-delivery basis. We believe such practice helps mitigate channel stuffing risks as it encourages distributors to distribute our products in a timely manner and discourages them from overstocking. During the Track Record Period, we did not offer credit terms (defined as a specified number of days after which full payment becomes due) to our offline distributors in mainland China. Instead, on a case-by-case basis, we provided revolving credit limits to certain creditworthy distributors, distributors with whom we have long-term relationships or distributors with a relatively larger scale.

Our credit limit in general represents a maximum revolving amount we grant to distributors for purchasing products only. Each credit limit we grant has a validity period, within which, credit limit can be used, repaid and re-used up to the maximum limit. The validity period begins when we approve the credit limit rather than first used by distributors. Distributors are required to settle all outstanding amounts upon expiration of the validity period and outstanding balances are recorded as receivables. In addition to limiting the use of credit limits to purchasing our products only, in order to control associated risks, we generally require relevant distributors to provide sufficient collateral or personal guarantees. In general, credit limits we grant to distributors can be divided into regular credit limits and temporary credit limits.

Regular credit limit is usually granted to distributors to support their continuous business expansion. The validity period for regular credit limit is typically one or within one year. The amount of regular credit limit is typically determined based on the relevant distributor's performance in the previous year and estimated sales target in the coming year/validity period of the credit limit. In principle, such amount does not exceed RMB100 per vehicle of the proposed annual sales target. If the distributor applies to renew the credit limit upon expiration, we will re-evaluate the distributor's qualifications and adjust the amount based on its sales performance and renewed sales target. In very limited circumstances, we provided regular credit limits with validity periods of over one year, mainly for the following reasons: (a) to attract distributors with strategic importance to join our network. For example, when negotiating terms of distribution and cooperation agreements with certain potential distributors, in order to attract such distributors, we offered credit limits with validity periods within one to five years taking into account their qualifications and market influence; (b) to support relevant cooperating distributors' liquidity needs to open new retail outlets or continuously place large orders to better develop important regional markets. For markets with intense competition or high importance to the company, if the distributor needs funds for expansion purposes and has formulated a reasonable development plan, on a case-by-case basis, our senior management team will carefully evaluate the feasibility of the development plans formulated by such distributors and relevant risks and determine appropriate credit limit amounts and validity periods.

Temporary credit limit is typically granted to distributors with short-term working capital needs, for example, during peak seasons. The validity period of temporary credit limit is typically one to three months and, in principle, no longer than six months. Such temporary credit limit is typically not re-evaluated or renewed after expiration.

The table below sets forth a breakdown of number of offline distributors with credit limits by type of credit limit:

	As of December 31,			**As of April 30,**
	2020	**2021**	**2022**	**2023**
Number of offline distributors with credit limits[Notes]	36	52	67	77
– Regular credit limits	*27*	*39*	*55*	*46*
– Temporary credit limits	*12*	*16*	*21*	*49*

Notes:

1. Includes distributors with credit limits in the year/period who had outstanding receivables at the end of the same year/period.

2. Three, three, nine and 18 distributors in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively, were granted both regular credit limits and temporary credit limits.

The table below sets forth a further breakdown of distributors with regular credit limits by different validity periods.

	Year ended December 31,			Four months ended April 30,
	2020	**2021**	**2022**	**2023**
Number of offline distributors with regular credit limits[1]	27	39	55	46
– Within 1 year	*25*	*31*	*47*	*38*
– Over 1 year and within 3 years	*2*	*7*	*6*	*6*
– Over 3 years and within 5 years	*0*	*1*	*2*	*2*

Notes:

1. Includes distributors with regular credit limits in the year/period who had outstanding receivables at the end of the same year/period.

The table below sets forth a further breakdown of distributors with regular credit limits by different ranges of credit limit amounts offered.

	Year ended December 31,			Four months ended April 30,
	2020	**2021**	**2022**	**2023**
Number of offline distributors with regular credit limits[1]	27	39	55	46
– Within RMB2 million	*18*	*25*	*38*	*31*
– Over RMB2 million and within RMB5 million	*5*	*9*	*11*	*10*
– Over RMB5 million and within RMB10 million	*2*	*3*	*4*	*4*
– Over RMB10 million[2]	*2*	*2*	*2*	*1*

Notes:

1. Includes distributors with regular credit limits in the year/period who had outstanding receivables at the end of the same year/period.

2. A total of three distributors were granted credit limits with amounts over RMB10 million, including (a) Lin Pingzai whose maximum credit limit amount was approximately RMB13.0 million during the Track Record Period, (b) the Nanjing Distributor (as defined below) whose maximum credit limit amount was approximately RMB27.7 million during the Track Record Period, and (c) a distributor in Guangxi Province whose maximum credit limit amount was approximately RMB20.5 million during the Track Record Period. The Company granted such credit limits with relatively larger amounts primarily considering (i) their historical sales performance or mid to long-term market development plans which include procuring real estate to open new retail outlets, and (ii) the collateral they provided.

According to Frost & Sullivan, as purchasing and stocking of electric two-wheeled vehicles bring substantial cash flow pressure to distributors and as financial strength and sales performance of electric two-wheeled vehicle vary substantially across distributors, it is not uncommon in the electric two-wheeled vehicle industry in mainland China for companies to grant credit terms and credit limits to their distributors.

We determined to provide credit limits instead of credit terms to offline distributors primarily considering the specific nature of the electric two-wheeled vehicle industry and general practices in the industry. Due to seasonality, the procurement and sales frequency of offline distributors differs significantly in peak and off-peak seasons. In peak seasons, due to higher sales demand and the constraint by limited storage space of their retail outlets, distributors often purchase products from us at a higher frequency, such as several times a week, while in off-seasons, they make purchases less frequently on a weekly or semi-monthly basis. Compared to traditional credit term arrangements, we believe our credit limit arrangement better matches with the working capital turnover needs of distributors and provide greater flexibility in terms of using and repaying credit limits within the validity period according to their sales plans. At the same time, we believe our credit limit arrangement provides stability which is convenient for distributors to comply with and helps maintain their loyalty. On the other hand, this credit limit arrangement also enables us to recover funds from distributors more promptly during peak seasons and allows us to track, manage and evaluate the credit performance of relevant distributors, and update or adjust our credit limits on a case-by-case or region-by-region basis whenever necessary.

The table below sets forth further details regarding credit limits granted to distributors during the Track Record Period.

	Years ended/As of December 31,			**Four months ended/As of April 30,**
	2020	**2021**	**2022**	**2023**
Total number of offline distributors	1,114	1,108	1,236	1,314
Number of distributors with credit limits[1]	36	52	67	77
Number of distributors with credit limits as a percentage of total number of offline distributors	3.2%	4.7%	5.4%	5.9%
Amount of receivables attributable to distributors with credit limits *(RMB'000)*	86,000	117,930	135,560	119,112

	Years ended/As of December 31,			Four months ended/As of April 30,
	2020	**2021**	**2022**	**2023**
Amount of receivables attributable to distributors with credit limits as a percentage of total revenue	3.6%	3.5%	2.8%	7.2%
Revenue contribution of offline distributors with credit limits *(RMB'000)*	300,572	809,938	1,214,579	537,669
Revenue contribution of offline distributors with credit limits as a percentage of total revenue	12.6%	23.7%	25.4%	32.6%
Turnover days[2]	106	46	38	28

Note:

1. Includes distributors with credit limits in the year/period who had outstanding receivables at the end of the same year/period.

2. Turnover days are calculated by the average of the beginning and ending balance of receivables attributable to distributors with credit limits divided by revenue contribution of such distributors in the year/period and multiplied by 365 for the years ended December 31, 2020, 2021 and 2022 and by 120 days for the four months ended April 30, 2023. We are unable to provide a comparison between such turnover days with that of industry peers primarily because the industry peers have not publicly disclosed this level of detail on their credit limits granted to distributors or the underlying information required to calculate such turnover days including revenue or outstanding receivables attributable to such distributors.

Considering that (i) the amount of outstanding receivables attributable to offline distributors with credit limits in 2020, 2021 and 2022 and the four months ended April 30, 2023 was equivalent to approximately 3.6%, 3.5%, 2.8% and 7.2% of our total revenue, respectively, (ii) it is not uncommon in the electric two-wheeled vehicle industry in mainland China to grant credit terms and credit limits to their distributors and (iii) we have adopted a credit management policy which sets forth, among other things, annual limits (maximum amount of credit limit approved shall not exceed RMB200 million inaggregate at all times, which is relatively small as compared with our total revenue during each year of the Track Record Period), eligibility of distributors/sub-distributors, application and approval procedures, collection procedures, and default clause to manage associated risks, we believe our distributors do not materially rely on credit limits for their business and we believe that we did not significantly rely on granting credit periods to generate sales to distributors. For further details of our trade receivables, see "Financial Information – Selected Key Balance Sheet Items – Trade and Notes Receivables".

Loans

In 2020, 2021 and 2022 and the four months ended April 30, 2023, we provided loans to a total of 31 distributors and sub-distributors, with an aggregate loan amount of approximately RMB6.8 million, RMB15.9 million, nil and nil, respectively. Such loan amounts were equivalent to approximately 0.4%, 0.6%, nil and nil of our revenue generated from sales of products to offline distributors for the same periods, respectively. As of April 30, 2023, approximately RMB5.6 million of our loans to distributors or sub-distributors remain outstanding with three distributors. We initiated litigations against these three distributors and under the auspices of the relevant courts, we have entered into mediation agreements with all three of these distributors. As these distributors have defaulted under their respective mediation agreements, compulsory enforcement has commenced upon our application with the relevant courts. Firstly, in December 2022, we reached a repayment plan with one of such defaulting distributors ("**Distributor I**"), under which he agreed to settle approximately RMB358,082 (representing the total outstanding principal amount) by December 2025. We recorded full provision with respect to Distributor I as of April 30, 2023. We terminated our cooperation with Distributor I in August 2023. Secondly, the second defaulting distributor ("**Distributor II**") has not been making repayments since we applied for compulsory enforcement with an outstanding amount of RMB9.1 million (including loans of RMB3.0 million and receivables in relation to credit limits of RMB6.1 million). Full provision has been made with respect to Distributor II as of April 30, 2023. As of the Latest Practicable Date, considering his industry experience and reputation in the region, while we have terminated him as our distributor, he still remains as a sub-distributor in our network. Lastly, foreclosure proceedings against the third defaulting distributor ("**Distributor III**") has been completed and RMB2.2 million has been repaid to us. A provision of approximately RMB3.5 million (including loans of RMB0.4 million and receivables in relation to credit limits of RMB3.1 million) as of April 30, 2023 has been made with respect to Distributor III and we have terminated our cooperation with him. We provided such loans to these distributors primarily to help them maintain market position in their respective regions, including providing loans for them to (i) meet their short-term cash flow requirements, (ii) acquire property to be used as retail outlets or make rental payment for their retail outlets. We also provided loans for them to release pledges on properties of the relevant distributors so that such properties could be subsequently pledged to our Group to secure outstanding receivables and/or loans. To ensure that such funds provided to distributors will be used for our intended purposes, we provided loans directly to sub-distributors in some situations. In most of the times when we provided loans to sub-distributors, we entered into tripartite agreements with the relevant distributor and sub-distributor.

Measures implemented to collect outstanding loans and receivables

In addition to providing loans to certain distributors to release pledges on properties of the relevant distributors so that such properties could be subsequently pledged to our Group to secure outstanding receivables and/or loans as described above, we adopted various measures with an aim to ensure repayment of outstanding receivables in relation to credit limits and outstanding loan amounts, including (i) requiring pledges of fixed assets upon granting credit terms or providing loans to distributors, (ii) conducting financial supervision over relevant distributors as further explained below,and/or (iii) initiate legal proceedings against relevant distributors.

During the Track Record Period, we instructed certain employees to conduct supervision over the financial condition of two of our distributors in Nanjing and Changsha, respectively, through shareholding vehicles that hold equity interest in such distributors who defaulted on the credit limits granted to them. In particular, (i) with respect to the defaulting distributor in Nanjing (the "**Nanjing Distributor**", also one of our five largest customers in 2020), the equity interest of the Nanjing shareholding vehicle was held as to 99% and 1% by two of our employees respectively, and (ii) with respect to the defaulting distributor in Changsha (the "**Changsha Distributor**"), the equity interest of the Changsha shareholding vehicle was held as to 95% by an employee of our Group and 5% by the defaulting distributor. No funds or consideration were required from us or our employees for holding the relevant equity interests in the relevant shareholding vehicles. Such arrangement was carried out on behalf of our Group and for the purpose of monitoring the operations and cash flow of such distributors to ascertain their ability to repay outstanding loans or payables and ensure repayment. The relevant employees of our Group were merely holding the equity interests of the shareholding vehicles on behalf of the relevant distributors and the daily operations and businesses of the relevant distributors were still carried out by themselves and their respective staffs. During the relevant times, relevant employees of our Group held positions such as legal representative, executive director, director, supervisor and/or general or financial manager of the shareholding vehicles solely for the purpose of monitoring. During the term of such arrangement, which will be terminated either until the outstanding amounts are fully repaid or until we are satisfied with the distributor's operational capabilities and its ability to repay, we agree with each of the owners of the relevant distributors that a certain percentage of the profit of the distributor shall be used to repay outstanding amounts due to our Group. In 2020, 2021 and 2022 and the four months ended April 30, 2023, revenue attributable to these two distributors (including the respective shareholding vehicles) amounted to approximately RMB28.2 million, RMB38.6 million, RMB50.2 million and RMB12.8 million, respectively.

We have ended the above arrangement with the Nanjing Distributor as we have determined that the effectiveness of such arrangement with respect to this distributor was relatively unsatisfactory to us. In July 2022, we reached a repayment plan with the Nanjing Distributor, under which he agreed to settle a total of RMB27.2 million in monthly installments of no less than RMB100,000 each by December 2024. As of the Latest Practicable Date, we have found a replacement for the Nanjing Distributor as he has not been making repayments on time and downgraded him to a sub-distributor accordingly. We have made provision of RMB0.3 million with respect to the Nanjing Distributor as of April 30, 2023 considering the majority of receivables due from him is covered by collateral. We have also terminated such arrangement with respect to the Changsha Distributor in June 2023. As of April 30, 2023, receivables due from this distributor was approximately RMB3.5 million. We recorded provision of approximately RMB0.2 million as of April 30, 2023 with respect to this distributor considering the majority of receivables due from him is covered by collateral. Since the

Changsha Distributor has been making repayments on time, complied with our monitoring and his sales network and reputation in the region, our cooperation with the Changsha Distributor continued as of the Latest Practicable Date. Upon discussion with the PRC Legal Advisors of the Company, based on the applicable laws, the relevant property registration certificates of the collaterals and relevant agreements, we are not aware of any material legal impediments preventing us from enforcing the collaterals against the Nanjing Distributor and the Changsha Distributor.

In addition to these two arrangements in Nanjing and Changsha, with an aim to maintain stable distribution of our products in Xi'an, Shaanxi province in view of the legal proceedings raised by creditors including us against Distributor II (as defined above), a new entity in Shaanxi was established in April 2019 to continue his business operations with us. Certain of our employees have held equity interest and/or positions of legal representative or supervisors primarily to assist in its initial establishment and to ensure stable distribution of our products in Xi'an prior to the Track Record Period. Daily operations of the new entity were carried out by Distributor II and his staff. In 2020, 2021 and 2022 and the four months ended April 30, 2023, revenue attributable to Distributor II (including through the new entity) amounted to approximately RMB10.4 million, RMB20.7 million, RMB16.5 million and nil, respectively. We decided to continue our cooperation with Distributor II through this new entity primarily because of the strategic importance of the Xi'an market (as the capital city of Shaanxi province) to us. We found another distributor to replace Distributor II in August 2022, and he is currently a sub-distributor as of the Latest Practicable Date.

Save as disclosed in the foregoing paragraphs, we have not requested any employee to hold equity interests with respect to our other distributors during the Track Record Period. Since we have terminated all three arrangements described above, as of the Latest Practicable Date, none of our employees hold any equity interests or positions in our distributors (or relevant shareholding vehicles) in relation to such employee-distributor arrangements. To the best of our knowledge, we believe we are not exposed to any material legal liability for such employee-distributor arrangements. Going forward, we do not intend to use such arrangements for any other defaulting distributor.

Save for the loans and credit limits as described above, we did not provide any other financial assistance to our distributors and sub-distributors during the Track Record Period. There was no employment or family relationship between distributors to which we had provided loans and us, our Directors, Shareholders and senior management or their respective associates. Moreover, to the best of our knowledge after due inquiry, none of our Directors, Shareholders, senior management or their respective close associates provided any financial assistance to our distributors during the Track Record Period. As confirmed by our Directors, we have not provided any new loans to distributors or sub-distributors in 2022 and up to the Latest Practicable Date and we do not intend to provide any more loans to distributors and sub-distributors going forward.

Save as disclosed above, to our best knowledge, our distributors, or their respective associates, do not have any past or present family, business, employment, or financial relationships with us or our subsidiaries, our Shareholders, Directors or senior management, or any of their respective associates.

Compliance

According to the General Lending Provisions (《貸款通則》) (the "**General Lending Provisions**"), a department rule promulgated by the PBOC on June 28, 1996 which came into effect on August 1, 1996, only financial institutions may legally engage in the business of extending loans, and loans between enterprises that are not financial institutions are prohibited. The PBOC may impose a fine of one to five times of the income generated (being interests charged) from the loan advancing activities between enterprises. During the Track Record Period, save for one distributor that we granted loans to in 2021 being a private company, all the other distributors or sub-distributors that we granted loans to were individuals. As advised by our PRC Legal Advisors, the loans we grant to distributors or sub-distributors that are individuals in the course of business are not prohibited by the General Lending Provisions. With respect to our loans to the distributor that was a private company, as further advised by our PRC Legal Advisors, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Private Lending Provisions**") which came into effect on September 1, 2015 and was last amended on December 29, 2020 and became effective on January 1, 2021. According to the Private Lending Provisions, the Supreme People's Court recognizes the validity of loan contracts between non-financial institutions for production and operation needs so long as certain requirements, such as interests charged and no circumstance of invalidity of contracts under the Civil Code of the PRC, are satisfied.

We confirm that the loans are primarily made for the purpose of supporting the normal business operation of the relevant distributors and sub-distributors. We have no intention to engage in any private lending activity for the purpose of generating interest income, and our provision of loans to our distributors or sub-distributors did not involve the regulatory exceptional circumstances stipulated in the Civil Code of the PRC or relevant provisions of the Private Lending Provisions. Based on above, our PRC Legal Advisors are of the view that our provision of the loans to our distributors and sub-distributors during the Track Record Period are valid.

We further confirm that (i) the funds provided under the loans were self-owned funds of our Group and we have not provided loans to any unspecified persons or enterprises, and (ii) we have not been subject to any investigation, penalties or enforcement actions or received any notice from any regulatory authority in relation to loans to our provision of loans to distributors or sub-distributors during the Track Record Period. As confirmed by our Directors, we do not intend to provide any more loans to distributors and sub-distributors going forward.

Considering the reasons above, our Directors are of the view, and our PRC Legal Advisors concur, that, in connection with our provision of loans to distributors and sub-distributors, the risk of us being penalized based on the General Lending Provisions is remote, and our provision of loans to distributors or sub-distributors do not constitute material or systemic non-compliance of any applicable laws or regulations.

Corporate and Institutional Customers

The quick growth of e-commerce, food delivery and on-demand delivery has stimulated demand for electric two-wheeled vehicles due to its flexibility and efficiency, especially in urban areas. According to Frost & Sullivan, electric two-wheeled vehicles are the most used transportation tools in the on-demand delivery market. In addition, while the continuous urbanization process has promoted the expansion of city size, it has also led to obvious consumer pain points of last-mile mobility which has gave rise to demand for shared mobility in various forms, including electric two-wheeled shared mobility. According to Frost & Sullivan, the total number of shared electric two-wheeled vehicles in operation in mainland China amounted to approximately 7.0 million units in 2022 and is expected to reach 10.8 million units in 2027, representing a CAGR of 7.1% from 2023.

Along with such trends, we have actively engaged various corporate and institutional customers which include shared mobility service providers, such as Qingju Bike (青桔單車) and Hello Bike (哈囉單車), on-demand e-commerce companies, as well as logistics companies and certain government organizations.

We generally enter into framework agreements with corporate and institutional customers. Corporate and institutional customers place purchase orders with us from time to time based on their business needs, in which the type, quantity, unit price and delivery date of the products are specified. Upon confirmation of the purchase order by both parties, our corporate and institutional customers generally pay a certain percentage of the total amount of the order as a deposit, and the rest of the payment is typically settled after delivery of the products and issuance of invoice. During the Track Record Period, we provided certain major corporate and institutional customers credit terms of 90 days in general. The vehicles can be customized to their requirements, provided that the customized requirements do not infringe on the legitimate rights and interests of third parties and do not conflict with national and industry standards. If the electric two-wheeled vehicles we produce as requested by the customers cannot be licensed, corporate and institutional customers themselves shall bear the relevant losses. According to the framework agreement, corporate and institutional customers shall not change any part or component of the electric two-wheeled vehicles and maintain them in ex-factory conditions. Any modifications such as replacing the motor or altering maximum speed are strictly prohibited.

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from corporate and institutional clients was RMB554.0 million, RMB421.0 million, RMB96.4 million, RMB17.9 million and RMB94.6 million, respectively, representing 23.5%, 12.5%, 2.1%, 1.6% and 5.8% of our revenue from sales of products of the relevant periods. As of the Latest Practicable Date, we did not experience any material sales returns or exchanges from our corporate and institutional customers.

Online Channels

To complement our offline distribution network, capture opportunities presented by the rapidly developing e-commerce in mainland China and fulfil consumers' demand for convenient shopping, we have established self-operated online stores on mainstream e-commerce platforms, including Tmall and JD.com. As of April 30, 2023, we had six self-operated online stores on six distinct third-party e-commerce platforms. We sell products directly to consumers via our self-operated online stores. Consumers can place orders for our products in our self-operated online stores and make payments via online payment channels provided by such platforms. For sales through our self-operated online stores, we are responsible for the logistics, fulfillment, and after-sales services of the orders. During the Track Record Period, we also distributed our products to customers via well-known online retailers, such as JD.com. None of these online retailers were also our offline distributors. We generally enter into sales and purchase agreements under this arrangement and we are responsible for delivery of the products to the online retailer after they place orders with us and risks transfer to the online retailers after they complete inspection and confirm the receipt of our products. Settlement is typically made after an agreed period of time after actual sales to consumers. We generally do not set sales targets for online retailers. Our online retailers are typically entitled to return products to us, which may include defective products or obsolete inventory. Although we allow our online retailers to return obsolete inventory, which is in line with market practice, our Directors are of the view that we are at low channel stuffing risks in our online channels on the basis that (i) online retailers who are entitled to return obsolete inventory are well-known platforms and with extensive sales experience and proven track record, who are our long-term cooperation partners; (ii) our cooperation agreements with them generally do not provide for minimum purchase requirements nor sales targets for the online retailers, and therefore they are not incentivized or obliged to purchase an amount of products exceeding the demands of their consumers; (iii) we obtain and review information on sales of our products by major online retailers to evaluate sales volumes and prices of our products in order to avoid channel stuffing from time to time; (iv) we communicate with online retailers and conduct analysis to understand the reasons for return of products; and (v) our sales through online channels are relatively insignificant as compared to our offline sales. During the Track Record Period and up to the Latest Practicable Date, there was no material product return from online retailers.

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, revenue generated from online sales was RMB97.6 million, RMB108.8 million, RMB271.7 million, RMB24.3 million and RMB72.0 million, respectively, representing 4.1%, 3.2%, 5.7%, 2.1% and 4.4% of our revenue from sales of products of the relevant periods. We believe our online channels do not pose significant risk of cannibalization to our offline distribution network as on-site experience and test riding is still one of the most important factors of customers' decision-making process when purchasing electric two-wheeled vehicles. In addition, we have implemented a number of internal control measures to prevent cannibalization between our online and offline channels, including (i) setting higher prices for self-operated online stores to protect offline distributors as they have to incur higher costs and expenses to operate retail outlets; (ii) offering certain products exclusively in online channels to differentiate from product offerings in offline channels, and (iii) designing different marketing themes for online and offline channels. Going forward, we attempt to bring online traffic to our physical retail outlets, which we believe will enhance the visibility of our brand and products and make our products more accessible to potential consumers primarily through the use of online marketing methods such as online advertisement, social media and KOL marketing. For details, see "– Branding and Marketing".

Overseas Distributors

During the Track Record Period, our products were sold in 37 countries and regions outside mainland China including Thailand, Indonesia and the Philippines through overseas distributors. Our overseas distributors are primarily trading companies or importer-distributors who have experience in foreign trade, local experience and sales channels in their respective local markets. The table below sets forth the movement in the number of our overseas distributors during the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	May 1, 2023 to the Latest Practicable Date
	2020	2021	2022	2023	
Number of overseas distributors at the beginning of the period	11	22	19	30	37
Number of new overseas distributors[1]	19	9	20	10	10
Number of terminated overseas distributors[2]	(8)	(12)	(9)	(3)	(7)
Net increase/(decrease) in overseas distributors	11	(3)	11	7	3
Number of overseas distributors at the end of the period	**22**	**19**	**30**	**37**	**40**

Notes:

1. The increase in the number of overseas distributors represents those overseas distributors that made purchases from us for the period indicated but did not purchase from us for the period immediately preceding the period indicated.

2. The decrease in the number of overseas distributors for the years ended December 31, 2020, 2021 and 2022 represents those overseas distributors that made purchases from us for the year indicated but did not purchase from us for the year immediately subsequent to the year indicated. The decrease in the number of overseas distributors for the four months ended April 30, 2023 and the period from May 1, 2023 to the Latest Practicable Date represents those overseas distributors that made purchases from us in 2022 but did not make any purchase in the four months ended April 30, 2023 and the period from May 1, 2023 to the Latest Practicable Date, respectively, and are not expected to make any purchase going forward.

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, aggregate revenue generated from overseas distributors was RMB39.5 million, RMB63.3 million, RMB114.6 million, RMB45.9 million and RMB7.6 million, respectively, representing 1.7%, 1.9%, 2.4%, 4.0% and 0.5% of our revenue from sales of products of the relevant periods. We typically accept purchase orders from overseas distributors instead of enter into distribution agreements. To our best knowledge, they normally determine the size of their purchase orders based on their estimations of market demand and sometimes based on actual orders received from their customers. Products sold to overseas markets are typically customized to the specifications and requirements of each customer and different from the products we sell in the PRC. International sales also face certain uncertainties including those brought by local policies, production schedule and international logistics. As such, we do not set minimum sales targets or purchase targets for overseas distributors and do not offer rebates to them. We also do not establish fixed geographic coverage or designated distribution areas for overseas distributors considering the high costs of overseas transportation and logistics and as we are still in an early stage of exploring overseas markets and generally cooperated with one or a small number of overseas distributors in each region or country. Based on the above, we believe we are at low risks of cannibalization and channel stuffing with respect to our overseas sales. We recognize that overseas markets have different and/or evolving laws and regulations regarding electric two-wheeled vehicles. Therefore, when entering and operating in overseas markets, we will conduct comprehensive and continuous analysis on the market conditions and regulatory requirements, consult overseas distributors with local experience and seek professional advice whenever necessary to ensure compliance. We also cooperate with local distributors to complete relevant registrations or approvals to ensure our products comply with local laws and regulations before being licensed or used on road. Our Directors confirm, to the best of their knowledge, there has been no material non-compliance of laws and regulations of the relevant overseas markets where our products were distributed during the Track Record Period and up to the Latest Practicable Date. We believe there is significant growth potential for us in the overseas market and plan to take advantage of our Guangxi Plant and further explore and deepen our operations in selected overseas countries and regions. See "– Strategies – Steadily expand our business in international markets."

Anti-corruption and Anti-bribery

We strictly prohibit fraud and corruption by our employees so as to comply with relevant laws and regulates, safeguard our Group against associated risks and ensure the healthy and sustainable development of our Group. To this end, we have adopted an anti-bribery and corruption policy which describes, in detail, corruption and bribery conducts, such as receiving kick-backs or bribes, embezzlement, misappropriation, false accounting or cause our Group to engage in fictitious transactions. Our anti-bribery and corruption policy also specifies our internal prevention and investigation procedures and measures. We include our anti-bribery and corruption policy in our employee handbook and provide relevant trainings from time to time. We encourage anonymous and real-name whistle blowing by awarding those that provide valuable leads. We have established a whistleblower hotline and email address and strictly protect the identity of anonymous whistleblowers and prohibit discrimination of real-name whistleblowers. In addition, our policy also requires us to deliver our anti-corruption and bribery requirements and relevant information to stakeholders that directly or indirectly conduct businesses with us, including distributors and suppliers.

We pay special attention to employees that directly work with distributors and sub-distributors, such as our sale persons, and require them to sign a declaration confirming that they understand our requirements and policies regarding anti-corruption and anti-bribery including that they are prohibited from accepting or solicitating monetary and non-monetary gifts from customers, participating in hospitalities provided by customers, or, in general, taking advantage of their positions. Employees who violate our policies are subject to penalties, including termination of employment.

PRODUCT PRICING

We price our products based on various factors, including the market positioning for the specific product, supply and demand, procurement and production costs, spending patterns of our target consumers, the prices of competing brands' products, and the anticipated profit margins for us. We review and adjust our product prices periodically based on these factors and other general market conditions and release our prices through our distributor management system to distributors.

We adopt a mid- to high-end pricing strategy. According to Frost and Sullivan, the electric two-wheeled vehicle market can be divided into premium (above RMB3,500), medium (RMB1,500 to RMB3,500) and entry levels (below RMB1,500) based on manufacturer suggested retail price. For the four months ended April 30, 2023, approximately 10.2% of our electric two-wheeled vehicles were priced in the premium range and approximately 88.9% were in the medium range. We set distribution prices and recommended wholesale prices through our distributor management system which represent the prices at which we sell our products to distributors and the prices at which distributors sell our products to their sub-distributors, respectively. For sales to end-customers through distributors and sub-distributors, we set recommended retail prices for our products through our distributor management system, which are subject to minor adjustments (typically less than 10% from the recommended retail prices of the respective products) by distributors for differences in local competitive environment, rental and transportation costs as well as targeted consumer profile. The recommended retail price of each product is specified in our distributor management system, and no price range is specified in the distributorship agreements. We believe that such minor adjustments have not and will not lead to any material cannibalization issue. As confirmed by our Directors, there were no material abnormalities in terms of pricing across our distribution network during the Track Record Period. In addition, we have in place a number of management measures to avoid cannibalization with the following that specifically help prevent material deviation from recommended retail prices. For further details of the key aspects of our distributor management policies and measures, see "– Sales and Distribution – Offline Channels – Distribution Agreements with Offline Distributors" and "– Sales and Distribution – Offline Channels – Management of Offline Distributors."

- *Accountability.* Distributors that violate the distribution agreements or our policies, such as material deviation from recommended prices, will be penalized, such as cancellation or reduction of rebates or termination of relevant distribution agreements for their cannibalization activities. Distributors are also responsible for ensuring that their sub-distributors comply with our pricing policies and we are entitled to require distributors to terminate violating sub-distributors in serious events.

- *On-site inspections and monitoring through the distributor management system.* Our regional sales teams conduct scheduled and occasional unannounced on-site inspections of our distributor and sub-distributor retail outlets to monitor business operations of distributors and sub-distributors including their compliance with our policies and guidelines, including pricing requirements. We also encourage distributors and sub-distributors to use the e-warranty card function in our distributor management system which enables more complete and timely collection of selling prices and other sales information. In the event that relevant salesperson or personnel discover any material abnormalities in terms of product pricing, it will promptly report to us and require relevant retail outlets to rectify.

- *Mutual supervision.* We encourage distributors to supervise each other and report cross-region sales and cannibalization activities by other distributors and sub-distributors. We have a hotline in place that can be used for such purpose.

In certain circumstances, we may set minimum retail price for products that distributors have enjoyed a certain wholesale price or maximum retail price to achieve balance between sales volume to end-customers and selling prices. Retail prices for our products available in our self-operated online stores are typically higher than our suggested retail prices provided to offline distributors primarily for the protection of the business of distributors and their sub-distributors.

For corporate and institutional customers, we also use the cost-plus pricing method and consider procurement and production costs while also taking into account market factors such as supply and demand, prices of competing brands' products and the anticipated profit margin for us.

SEASONALITY

Our financial performance and results of operations are subject to seasonal fluctuations. We typically experienced higher sales in March of each year, primarily in connection with distributors' restocking demands after the Spring Festival holiday. Sales are also relatively higher in July, August and September of each year which are months that straddle summer holidays and school opening seasons when students and parents typically have strong transportation mobility needs. Sales of our products can also fluctuate throughout the year for other reasons, including the timing of new product launches and the timing of promotional campaigns.

CUSTOMERS AND CUSTOMER SERVICES

Customers

Our customers are primarily our distributors in mainland China, international distributors, corporate and institutional clients and end customers from our self-operated online stores. In 2020, 2021 and 2022 and the four months ended April 30, 2023, the aggregate revenue generated from our top five customers in each period during the Track Record Period amounted to RMB634.3 million, RMB661.7 million, RMB553.8 million and 219.1 million, respectively, representing 26.7%, 19.4%, 11.6% and 13.3%, respectively, of our total revenue for the respective periods. For the same periods, revenue generated from our largest customer in each period during the Track Record Period amounted to RMB390.5 million, RMB286.4 million, RMB189.0 million and RMB77.4 million, respectively, representing 16.4%, 8.4%, 4.0% and 4.7%, respectively, of our total revenue for the respective periods.

The following tables set out details of our five largest customers during the Track Record Period:

For the year ended December 31, 2020

Customer	Background[1]	Credit terms	Year of commencement of business relationship	Revenue	% of total revenue
				(RMB'000)	
Customer A	A shared mobility service provider headquartered in Zhejiang	Approximately 40 days	2019	390,518	16.4

Customer	Background[1]	Credit terms	Year of commencement of business relationship	Revenue	% of total revenue
				(RMB'000)	
Customer B	A shared mobility service provider headquartered in Shanghai	50-80 days	2020	155,714	6.5
Lin Pingzai	A distributor based in Zhejiang	N/A(ii)	2003	47,681	2.0
Customer C	A distributor based in Shanghai	N/A(ii)	2019	22,182	0.9
Customer D	A distributor based in Jiangsu	N/A(ii)	2003	18,179	0.8
				634,274	26.7

For the year ended December 31, 2021

Customer	Background[1]	Credit terms	Year of commencement of business relationship	Revenue	% of total revenue
				(RMB'000)	
Customer A	A shared mobility service provider headquartered in Zhejiang	Approximately 40 days	2019	286,431	8.4
Customer B	A shared mobility service provider headquartered in Shanghai	50-80 days	2020	119,558	3.5
Lin Pingzai	A distributor based in Zhejiang	N/A(ii)	2003	119,033	3.5
Customer E	A distributor based in Beijing	N/A(ii)	2015	71,906	2.1
Customer C	A distributor based in Shanghai	N/A(ii)	2019	64,795	1.9
				661,723	19.4

For the year ended December 31, 2022

Customer	Background[1]	Credit terms	Year of commencement of business relationship	Revenue	% of total revenue
				(RMB'000)	
Lin Pingzai	A distributor based in Zhejiang	N/A[2]	2003	189,032	4.0
Customer F	A distributor based in Zhejiang	N/A[2]	2019	103,319	2.2
Customer G	An India-based distributor	N/A[2]	2018	92,175	1.9
Customer H	A distributor based in Zhejiang	N/A[2]	2008	85,505	1.8
Customer I	A distributor based in Anhui	N/A[2]	2021	83,726	1.8
				553,757	11.6

For the four months ended April 30, 2023

Customer	Background	Credit terms	Year of commencement of business relationship with us	Revenue	% of total revenue
				(RMB'000)	
Customer J	A shared mobility service provider headquartered in Shanghai	50-80 days	2022	77,441	4.7
Customer K	A distributor based in Shanghai and Kunshan, Jiangsu	N/A[2]	2019	39,949	2.4
Customer L	A distributor based in Guangxi	N/A[2]	2022	35,163	2.1
Lin Pingzai	A distributor based in Zhejiang	N/A[2]	2003	33,730	2.0
Customer M	A distributor based in Kunming, Yunnan	N/A[2]	2019	32,835	2.0
				219,118	13.3

Notes:

1. The following information is extracted from the latest annual reports, public business registrations or websites of the respective companies.

   Customer A was incorporated in China in 2017 and is a direct wholly owned subsidiary of a Hong Kong private company. It has a registered capital of RMB5.2 billion.

   Customer B was incorporated in China in 2016 and is a direct wholly owned subsidiary of a Jiangsu-based private company. It has a registered capital of RMB6.1 billion.

   Customer J was incorporated in China in 2021 and has a registered capital of RMB200 million.

2. During the Track Record Period, we granted credit limits to certain offline distributors. For details, see "– Sales and Distribution – Offline Channels – Credit Policies and Financial Assistance to Distributors".

During the Track Record Period and as of the Latest Practicable Date, none of our Directors, their associates or any other Shareholder which, to the best knowledge of our Directors, owns more than 5% of our share capital had any interest in any of our top five customers. Save for Lin Pingzai, one of our top five customers in each period of the Track Record Period, who held 27.45% and 67.45% equity interest in Fujian Yizhou, one of our top five suppliers in 2020, from 2008 to February 2022 and from February 2022 up to the Latest Practicable Date, respectively, none of our five largest customers during the Track Record Period was also our suppliers. Our transactions with Lin Pingzai and Fujian Yizhou were conducted on normal commercial terms, on an arm's length basis and were not inter-related.

Customer Services

We believe that the quality and timely availability of customer service are key competitive factors, as they are significant elements in overall customer satisfaction, and they shape a customer's purchase decision.

Our after-sales services cover product support, as well as repair, return and exchange of defective products. We primarily rely on our distributors to provide end-customers after-sales services through their retail outlets. In order to ensure quality of after-sales services provided by distributors, in addition to providing regular training on product knowledge, maintenance skills and general customer service skills to our distributors and their staff, we maintain a marketing support and customer service team dedicated to supporting and providing prompt response to distributor enquiries or suggestions. To further assure the quality of our after-sales services provided by distributors, we monitor and conduct appraisals on customer satisfaction rates. All of our products are assigned a unique product code to ensure the identifiability and recognizability of our products. Such unique product code is recorded in major steps of product production and distribution to provide traceability of specific product issues and helps to drive improvements to both our product quality and reliability of our production process. We also actively and directly interact with end-customers through our customer service hotline, and, increasingly, over online channels such as our official social media accounts and self-operated online stores.

Product Warranties and Recall

Under our general terms and conditions of sale and in accordance with relevant laws and regulations and industry practice, we typically provide a limited warranty on our products providing for the return, repair or replacement of defective items. While the terms of the warranties provided by us differ depending on the type of product and specific product component, they generally range from one to six years. For example, warranty period is one year for ordinary lead acid batteries, ordinary controllers, ordinary brakes, chargers, GPS modules and led bulbs etc., two years for ordinary lithium batteries, solid-state chargers and shock absorbers etc., and six years for ordinary vehicle frames, air-cooled controllers and SOC modules etc. In addition, since May 2022, we further extended the warranty period of our liquid-cooled motors to ten years and launched a marketing campaign titled "A Ten-Year Ride" (一部車騎十年). Our Directors are of the view that the extension of the warranty period for liquid-cooled motors will not have any material impact to the Group's business and financial performance, as (i) the increase in provisions for product warranty increased in line with the growth in sales of the Group's products during the Track Record Period and the provision ratio did not change significantly after this extension; and (ii) our Directors expects the liquid-cooled motors to maintain good quality throughout the ten-year warranty period and believes liquid-cooled motors are less susceptible to common quality issues of traditional motors. We also provide ten-year warranties for highly crafted vehicle frames, front forks and rear flat forks. According to Frost & Sullivan, the warranty periods we provide for our vehicles and core parts are the longest among industry peers. We generally make provisions for product warranty by reference to the sales volume and the corresponding costs for warranty services and reevaluate the adequacy of our provisions for product warranty on a regular basis. See "Risk Factors – Risks Relating to Our Business and Industry – We may be compelled to undertake product recalls or other actions, and our warranty reserves may be insufficient to cover future warranty claims which could adversely affect our brand image, financial condition, results of operations, and growth prospects." Except for parts and components that are manufactured in-house, our warranties are typically covered by suppliers' back-to-back warranties which are equal to or longer than the warranties we offer our distributors and end-customers. For example, if we provide a certain warranty period for batteries sold to consumers, we require the relevant battery supplier to provide us a same of longer warranty period. We also do not provide warranty services for any damages caused by man-made reasons, such as unauthorized alterations. We have maintained product liability insurance applicable to our products and believe that our existing insurance coverage is adequate for our existing operations and is in line with industry standards. For details, see "– Insurance".

In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our warranty expenses amounted to RMB3.3 million, RMB5.1 million, RMB6.6 million, RMB1.7 million and RMB2.2 million, respectively. In line with the growth in sales volume and our revenue, warranty expenses increased from 2020 to 2022 and from the four months ended April 30, 2022 to the same period in 2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return or replacement claim, nor did we receive any material warranty claim. During the Track Record Period and up to the Latest Practicable Date, we did not conduct any product recalls. During the Track Record Period and up to the Latest Practicable Date, we did not receive complaints from customers that materially and adversely affected our results of operations.

BRANDING AND MARKETING

Our brand has over 20 years of history in mainland China's electric two-wheeled vehicle market. Product quality is at the core of our brand and we believe our long history in the industry conveys consumers a sense of long-lastingness and trust.

We design and implement branding and marketing activities and strategies to reinforce and add more vitality to our brand image of quality, thereby enlarging our consumer base and increasing customer loyalty. To this end and based on the ten-year warranty period we provide for our liquid cooled motors since May 2022, we have recently launched a marketing campaign titled "*A Ten-Year Ride*" *(一部車騎十年)* under which we interview and collect stories from customers that have been riding our vehicles for over ten years. Under this campaign, we have met a large number of customers that shared their *Luyuan* experience with us, including how and when they bought their first *Luyuan* vehicle and the milestones of their lives which involved our vehicles. We believe this has not only allowed us to showcase the quality and durability of our vehicles, but also prolong our loyal customers' emotional attachment to our brand through facilitating reminiscences and rekindling customers' memories.

We strategically utilize multiple marketing vehicles to enhance visibility and recognition of our brands and ensure comprehensive consumer exposure. We advertise through a number of different traditional media channels, such as billboards, printed advertisements and television and internet commercials. For example, since 2021 we placed advertisements in high-speed rails to promote our brand and vehicles. We have also been proactively engaging in marketing activities and increasing our promotional efforts to enhance our brand exposure amongst young consumers. Specifically, we have sponsored a number of variety shows and dramas such as the fourth season of Rock & Roast (《脱口秀大會》), Back to Field (《嚮往的生活》), and Have Fun (《嗨放派》), which are popular among young consumers. We actively run our social media accounts on major social media platforms to interact with customers, addressing their questions while promoting our vehicles. In addition, we cooperate with internet celebrities or KOLs, which are typically influencers that are relatively active or popular on major social media or short video platforms, to promote our vehicles through live streaming or posting engaging content on major social media platforms, to achieve broad exposure to online consumers. These internet celebrities/KOLs typically test ride our vehicles and share their riding experience with their audience and followers. During the Track Record Period, we cooperated with over 420 internet celebrities/KOLs and our selling and marketing expenses attributable to internet celebrities and KOL marketing gradually increased during the Track Record Period in line with the rise in prevalence of this marketing measure in mainland China. In 2020, 2021 and 2022 and the four months ended April 30, 2023, selling and marketing expenses attributable to internet celebrities and KOL marketing amounted to approximately RMB0.6 million, RMB1.9 million, RMB7.2 million and RMB2.8 million, respectively, accounting for approximately 0.5%, 1.0%, 2.8% and 2.8% of our total selling and marketing expenses for the same periods, respectively. As such, we do not consider ourselves to rely on KOL marketing.

Recently, relevant PRC government departments have promulgated a series of laws and regulations related to internet celebrities/KOLs and online marketing, such as Measures for Marketing Management of Online Live Streaming (for trial implementation) (《網絡直播營銷管理辦法(試行)》) which was promulgated on April 16, 2021, the Opinions on Further Regulating the Profit-making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》) which was issued on March 25, 2022, the Guidance on Further Regulating the Endorsement by Artists in Advertising Activities (《關於進一步規範明星廣告代言活動的指導意見》) which was issued in November 2022, the Measures for the Administration of Internet Advertising (《互聯網廣告管理辦法》) which was promulgated on February 25, 2023 and became effective on May 1, 2023. The main purpose of above-mentioned laws and regulations is to regulate internet advertising, online marketing, and artists advertising endorsement behavior, to strengthen the responsibilities and supervision (such as tax) of online live streaming platforms, internet celebrities/KOLs, artists etc., ensure the authenticity and legality of advertising content, and maintain and safeguard fair competition in the market order, the legitimate rights and interests of merchants and consumers.

We engage internet celebrities and KOLs for advertising purposes instead of product distribution, and our business does not rely heavily on internet celebrities/KOLs as we also utilize many other marketing vehicles. During the Track Record Period and as of the latest Practicable Date, to the best of our knowledge, we had no disputes or lawsuits with these internet celebrities/KOLs that cooperated with us, and no penalties or investigations were imposed on our Group for our cooperation with internet celebrities/KOLs. Considering the above, our PRC Legal Advisors are of the view that, the above-mentioned recent change in regulations related to the use of internet celebrities/KOLs and online marketing are not expected to have material impact on the Group's business operations.

In addition, we regard retail outlets of our distributors as an important channel for us to reach consumers nationwide, display our products, promote our brand, and to provide local consumers with on-site experience and professional services. Accordingly, we have dedicated resources in the implementation of brand management policies to manage various aspects of our distributors' points-of-sales. We aim to create a unique image for distributor retail outlets through the use of standardized and trendy décor and designs that are distinctive to our vehicles and brand image. Our headquarters sets out design, layout and the catchment area guidelines relating to the design and color of the store and vehicle displays to ensure a consistent visual image of our brand. We organize regular online and offline training on product and brand knowledge to distributor staff so that they are equipped with sufficient knowledge to serve customers and market our vehicles. Set forth below are pictures of certain *Luyuan* branded retail outlets.

Our marketing department is responsible for the design and implementation of our marketing strategies and campaigns. Moreover, we have established dedicated public opinion monitoring functions under our marketing department, which is responsible for constantly monitoring negative publicities on various media channels about our Company, our products, our distributors and so on. In 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our selling and marketing costs amounted to RMB121.4 million, RMB192.4 million, RMB259.6 million, RMB53.2 million and RMB98.9 million, respectively, representing 5.1%, 5.6%, 5.4%, 4.6% and 6.0% of our total revenue of the same periods.

INFORMATION TECHNOLOGY SYSTEMS

We utilize various information technology systems to manage almost all aspects of our operations. Our information technology systems enable us to quickly retrieve and analyze our operational data and information, including procurement, sales, inventory, logistics, production, customer and financial data. We use our information technology systems to assist us in planning, managing and standardizing our production, quality control, inventory control, sales and distribution, budgeting, human resources and financial reporting functions, thereby improving our management and operational efficiency. Our main information technology systems include the following:

- ***ERP system.*** We utilize the enterprise resource planning, or ERP, system to retrieve and analyze our operational data to support decision-making and increase productivity and profitability. The ERP system covers various aspects of our operations, including manufacturing, financial accounting, forecast and planning, purchasing, order management, enterprise performance management and human capital management.

- ***BI system.*** We utilize the business intelligence, or BI, system to manage orders and sales of our retail outlets nationwide. This system comprises Retail BI, Product BI, Distributor BI and Order BI: (i) Retail BI provides sales data of our retail outlets, which helps us timely identify abnormal retail outlets; (ii) Product BI reflects the profile, gross profit and inventory turnover of our retail outlets' products, which helps us provide guidance to the retail outlets to optimize their product profiles in a timely and effective manner; (iii) Distributor BI monitors the sales trends of retail outlets at different levels, to give alerts for abnormal retail outlets; and (iv) Order BI monitors our retail outlets' order and delivery data, to identify unusual conditions through period-over-period comparison.

- ***MES system.*** We utilize the manufacturing execution system, or MES, to monitor, track, document, control and support our production process. We deploy this system to boost production efficiency at our production facilities as it enables real-time monitoring of production process by recording the progress of each production line and transmit production-related data, including volume, time and labor, to a centralized database, and thereby establishes an information driven manufacturing process. The system also enables our production planning department to monitor production loading and capacity, order scheduling and production scheduling plan. This system also fosters regulatory compliance through tracking and documenting information related to quality management, energy management and environmental and waste management. Data recorded from our production facilities are immediately made available to relevant decision-makers across our integrated systems for further consolidation, analysis and reporting.

- ***APS system.*** We utilize the advanced planning and scheduling, or APS, system to optimize our production efficiency through advanced scheduling and optimal use of resources and supplies. As a supplement to our ERP system, the APS system not only helps optimize our production process, but also the entire process from production to logistics, warehousing and delivery of products.

- ***OA system.*** We utilize the office automation, or OA, system which provides a platform for paperless information sharing and dissemination within our Group, enhances administrative records management and optimizes various approval procedures for our business operations.

We plan to strengthen our information technology systems to keep up with the growth of our business. We believe such improved systems will strengthen supply chain management as well as improve our ability to develop products that meet the demands and preferences of our customers.

DATA PRIVACY AND PROTECTION

In the ordinary course of business, we from time to time collect and use certain personal information of our consumers, such as the consumer's mobile phone number, purchase date and information of their electric two-wheeled vehicle, which are primarily used for the purpose of provision of after-sale services. We display our privacy policy to consumers and obtain their consent before they use our software or provide sensitive personal information to us. Our privacy policy primarily sets forth the scope of personal information, how we collect, use, share, disclose and protect customers' personal information and how users can manage their personal information provided to us.

We consider the protection of the data privacy of our customers to be of paramount importance. To ensure the confidentiality and integrity of our data, we have in place policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of the PRC. For example, we anonymize and encrypt confidential personal information and take other necessary technological measures to ensure the secure processing, transmission and usage of data. Moreover, we have established a strict approval mechanism, pursuant to which each level of customers data can only be accessed by certain designated and authorized personnel to the extent that is necessary after internal approval. We store personal information of customers collected in clouds operated by third party cloud service providers in mainland China. We have set forth certain data destruction rules in our policies and will delete the relevant user data when customers request or customers cancel their accounts through data erasure and physical destruction. We have established stringent internal policies under which access to privacy data is only granted to limited employees with access authorization. We also provide regular company-wide training to ensure that all of our employees are well aware of the significance of data privacy, our internal policies and relevant laws and regulations.

We employ a variety of technical solutions to prevent and detect risks and vulnerabilities in data privacy and security, such as firewall, encryption, vulnerability scanning, data backup system and database audit. We also have clear and strict data authorization and authentication procedures in place. Our employees only have access to data that are directly relevant and necessary to their job responsibilities. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not experienced any material hacking incident, data leakage or IT system failure. During the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations relating to data security and privacy in all material aspects and have not received any penalty due to breach of data privacy.

INTELLECTUAL PROPERTY

Our intellectual property rights are fundamental to our success and competitiveness. We rely on a combination of trademark, trade secrets and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. We also take a proactive approach in managing our intellectual property. Our legal department performs regular monitoring of our intellectual property rights and take action when it is aware of a potential infringement of our intellectual property rights.

As of the Latest Practicable Date, we had 437 patents (among which 46 are invention patents), 179 applications for patents and 17 copyrights in mainland China. For details of our material intellectual property rights, see the section headed "Statutory and General Information – B. Further Information about our Business – 2. Our Material Intellectual Property Rights" in Appendix IV.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation, or legal proceedings for any material violation of intellectual property rights of any person which would have a material adverse effect on our business. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business" and "Risk Factors – Risks Relating to Our Business and Industry – Third parties may assert or claim that we have infringed their intellectual property rights."

COMPETITION

Driven by emission reduction policies, the advancement of e-motor and battery technologies, and the fast development of shared mobility and on-demand services that utilize electric two-wheeled vehicles, sales of electric two-wheeled vehicles have grown rapidly in major economies of the world over the past five years, according to Frost & Sullivan. Among which, mainland China is the most attractive market, accounting for 74.3% of the global sales volume in 2022.

According to Frost & Sullivan, mainland China's electric two-wheeled vehicle market is highly concentrated with top nine manufacturers accounting for 80.8% market share. According to Frost & Sullivan, as of December 31, 2022, there were in total around 100 electric two-wheeled vehicle manufacturers in mainland China. According to Frost & Sullivan, we ranked fifth place in mainland China's electric two-wheeled vehicle market in terms of total revenue in 2022, accounting for 4.2% of the market share.

There are certain barriers to entry into the electric two-wheeled vehicle market in light of regulations such as the New National Standards in place. For example, special qualification and permission is required to manufacture electric motorcycles. The New National Standards has also significantly raised the industry barriers in terms of technology, manufacturing capabilities and quality control capabilities for electric bicycles. Small and medium-sized enterprises that fail to meet such heightened requirements are expected to be eliminated gradually. According to Frost & Sullivan, other entry barriers include (i) development and application of new technology such as infotainment, more efficient battery management systems, lithium-ion battery and more advanced electric motors, (ii) early mover advantage, (iii) extensive and unremitting capital investment, (iv) brand recognition and consumer mindshare, and (v) wide coverage of distribution network.

We believe we are competitively positioned due to our first mover advantage, investments in research and development capabilities, advanced production capabilities, and established and widespread sales and distribution network.

EMPLOYEES

As of April 30, 2023, we had 2,574 full-time staff, all of whom were stationed in mainland China. The following table sets forth the number of our full-time employees by function as of April 30, 2023:

	Number of employees
Production	1,323
Sales and marketing	699
Research and development	361
General and administration	191
Total	2,574

Our employees are important assets for our development and we place great importance on attracting and recruiting qualified employees. Our human resource department is responsible for recruiting our employees. We recruit our employees primarily through on-campus recruitment, job fairs and internal and external referrals. We treat our employees fairly and ensure that they enjoy fair opportunities and conditions. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide training periodically and across operational functions, including introductory training for new employees, technical training, product training, management training and work safety training.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions in the workplace, and termination. We also enter into standard confidentiality agreements with all of our employees. As required by PRC Law, we participate in various social security plans for our employees including housing provident fund, pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance.

Besides our full-time employees, we also recruited part-time staff and engaged outsourcing staff by entering into outsourcing contracts with third-party human resource service providers to meet our increased staffing needs during peak production periods. We have not experienced any significant difficulty in recruiting employees, nor have we experienced any labor shortages during the Track Record Period that materially affected our operations.

Our subsidiaries have established labor unions that represent the relevant employees with respect to labor disputes and other employee matters. We believe we have maintained a good relationship with our employees and we did not have any material labor dispute during the Track Record Period.

AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions in respect of our brands, products, research and development capabilities and etc., including:

Award/Recognition	Issuing Entity	Time of Receipt
Provincial High Tech Enterprise Research and Development Center (省級高新技術企業研究開發中心)	Zhejiang Department of Science and Technology (浙江省科學技術廳)	December 2005
Provincial Enterprise Technology Center (省級企業技術中心)	Zhejiang Economic and Information Technology Commission (浙江經濟和信息化委員會)	August 2009
Provincial Enterprise Research Institute (省級企業研究院)	Zhejiang Department of Science and Technology (浙江省科學技術廳)	August 2012
Well-known Trademark (馳名商標)	State Administration for Industry and Commerce (國家工商行政管理總局)	June 2015
Intellectual Property Advantage Enterprise (知識產權優勢企業)	State Intellectual Property Administration (國家知識產權局)	December 2015
Intellectual property management system certificate (知識產權管理體系認證證書)	Zhonggui (Beijing) Certification Co., Ltd. (中規(北京)認證有限公司)	April 2016, May 2019 and April 2022
A High Tech Enterprise (高新技術企業)	Zhejiang Department of Science and Technology (浙江省科學技術廳)	November 2018
Top 10 Enterprises of China's Electric Bicycle Industry (中國電動自行車行業十強企業)	China National Light Industry Council (中國輕工業聯合會)	June 2019 and August 2022
CNAS Accredited Laboratory (中國合格評定國家認可委員會實驗室)	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)	October 2019

Award/Recognition	Issuing Entity	Time of Receipt
Integration of Informationization and Industrialization Management System Certificate (信息化和工業化融合管理體系評定證書)	China Telecom Stocks Co., Ltd. (中電鴻信信息科技有限公司)	July 2020
High Tech Enterprise (高新技術企業)	Shandong Department of Science and Technology (山東省科學技術廳)	August 2020
Green Factory (綠色工廠)	General Office of Ministry of Industry and Information Technology (工業和信息化部辦公廳)	October 2020
First Prize of Science and Technology Progress Award (科學技術進步獎(一等獎))	China National Light Industry Council (中國輕工業聯合會)	March 2022
Top 200 Enterprises of China Light Industry (中國輕工業二百強企業)	China National Light Industry Council (中國輕工業聯合會)	July 2022
Specialized, Sophisticated, Unique and Innovative “Small Giant” Enterprise (專精特新“小巨人”企業)	General Office of Ministry of Industry and Information Technology (工業和信息化部辦公廳)	July 2022
Gold Award in China Bicycle and Electric Bicycle Design Competition (中國自行車電動自行車設計大賽金獎)	China Bicycle Association (中國自行車協會)	April 2023

INSURANCE

Besides statutory social insurances as required under relevant PRC Law including pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance, we mainly maintain (i) product liability insurance which applies to our products; (ii) public liability insurance to cover liability for damages arising out of our business operations for designated locations such as point-of-sales of our distributors, (iii) property-related insurance to cover our facilities, equipment and inventories (iv) group liability insurance to cover liabilities arising from injuries, disabilities or deaths caused by work-related accidents. Our commercial insurances are maintained with a reputable insurance company in mainland China and subject to customary caps and deductibles etc. For example, the annual coverage of our product liability insurance is capped at RMB20 million and coverage for each accident is capped at RMB2 million (including RMB1 million for property loss and RMB1 million for personal injuries). There are also deductibles for each accident, which is the amount a policyholder must pay out of pocket before insurance kicks in. Deductibles for property loss of our current product liability insurance is the higher of RMB500 or 10% of the total loss. According to Frost & Sullivan, our insurance coverage on product liability is in line with industry standards.

We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is adequate for our existing operations and is in line with industry standards. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See "Risk factors – Risks Relating to Our Business and Industry – We have limited insurance to cover our potential losses and claims" for further details. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us.

PROPERTIES

Owned Land and Properties

We own and occupy certain land parcels and buildings in mainland China for our business operations. As of the Latest Practicable Date, we owned land use rights of ten parcels of land in Jinhua (Zhejiang province), Guigang (Guangxi province) and Linyi (Shandong province) with an aggregated site area of 649,514 sq.m. As of the same date, we owned 62 buildings in Jinhua (Zhejiang province), Guigang (Guangxi province), and Linyi (Shandong province) with an aggregated GFA of approximately 576,518.4 sq.m. These properties are mainly used as manufacturing facilities, offices and dormitories to support our business operations. We had obtained all relevant property ownership certificates and other relevant land use right certificates for all of the properties we own.

As of the Latest Practicable Date, the current usage of two of our owned properties with an aggregated GFA of 32,447.1 sq.m. is inconsistent with their permitted usage as stated in their respective property ownership certificates. We currently use such owned properties as staff dormitories while their permitted usage under the relevant title certificates are industrial purposes. As advised by our PRC Legal Advisors, for the properties with usage defects, administrative penalties may be imposed on owners of properties if the properties are used inconsistent with their permitted usage, and our current usage may be interrupted. Furthermore, if the relevant land authority in mainland China allows us to continue to use such properties for their current usage they may require payment of land premium. Our Directors consider that such inconsistent use of properties will not have a material adverse effect on our operations on the grounds that (i) such properties are used as staff dormitories and we believe we can easily find alternative properties for such purpose with reasonable relocation costs, and (ii) based on interviews with competent authorities in mainland China, our current usage of such properties have been acknowledged.

Leased Properties

As of the Latest Practicable Date, we leased properties from third parties in fifteen cities with an aggregate area of approximately 36,392 sq.m. These properties are mainly used for warehousing. The leases generally have a term ranging from one year to five years.

In addition, as of the Latest Practicable Date, we also entered into three lease agreements as the landlord to lease the properties to third parties. Such properties have a total gross floor area of approximately 1,120 sq.m.

Non-registration of Lease Agreements

As of the Latest Practicable Date, ten of our lease agreements had not been registered with the relevant authorities in mainland China. Our PRC Legal Advisors advised us that the lack of registration does not affect the validity and enforceability of the lease agreement, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register. The estimated total maximum penalty is RMB100,000 which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our results of operation or financial condition. As of the Latest Practicable Date, we have not received any administrative penalties in this regard. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

Lease Properties with Title Defects

As of the Latest Practicable Date, we were not provided with sufficient and valid ownership certificates or proper authorization from owners of eight of our leased properties, which covers a total area of approximately 15,346 sq.m., or 42.2% of our total leased properties from third parties. Such leased properties with title defects have been used as warehouses.

As advised by our PRC Legal Advisors, it is the relevant lessors' responsibility to comply with the relevant requirements and to obtain the relevant ownership certificates. Any failure to fulfill such procedures may subject the relevant lessors to penalties imposed by the land administrative authorities etc. and the lease agreements may be unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations. However, our use of the defective leased properties may be affected by third parties' claims or challenges against the lease. Also, if the lessors do not have the requisite rights to lease the defective leased properties, we may not be able to lease such properties and may be required to vacate from such properties and relocate our warehouses.

During the Track Record Period and up to the Latest Practicable Date, our leases for the defective leased properties were not challenged by third parties or relevant authorities that had resulted or involved us as a defendant in dispute, lawsuit or claim in connection with the rights to lease and use such properties occupied by us. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements. Our Directors believe that such title defects individually or collectively would not materially affect our business and results of operations on the grounds that such leased properties with title defects have been used as warehouses and we believe we can easily find alternative leased properties for such purpose with reasonable relocation costs. Going forward, we will request all of our lessors to provide the necessary documentation with respect to the title of the relevant leased property before we enter into lease agreements with them.

Property Valuation

As of April 30, 2023, (i) each of our property interests for non-property activities (as defined under Rule 5.01(2) of the Listing Rules) had a carrying amount less than 15% of our total assets, and (ii) each of our property interests for property activities (as defined under Rule 5.01(2) of the Listing Rules) had a carrying amount below 1% of our total assets, and the total carrying amount of our property interests for property activities also did not exceed 10% of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of our business. As of the Latest Practicable Date, there was no litigation, arbitration, administrative proceedings or claim of material importance pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

The table below sets forth material litigation, arbitrations and other legal proceedings that our Group was involved in during the Track Record Period and up to the Latest Practicable Date having taken into account, among other things, the amount claimed by plaintiff(s) in pending litigations, the amount and liabilities undertook by our Group in concluded litigations and the nature and causes of the claims.

No.	Plaintiff(s)	Defendant(s)	Claims	Status	Insurance Coverage
1.	Mr. Liu	Ms. Xu, Hefei Honghe Property Management Group Co., Ltd. (合肥鴻鶴物業管理集團有限公司) Zhejiang Luyuan, Wuwei City Housing and Urban-Rural Development Bureau (無為市住房和城鄉建設局)	In September 2018, two persons died from a fire accident allegedly caused by a short-circuited electric two-wheeled vehicle purchased by Ms. Xu in 2016. The said two-wheeled vehicle was improperly parked, clogging the stairway with other vehicles and items on the first floor of a residential building, and the deceased living on the sixth floor blindly escaped toward the fire site on the first floor, contributing to their death. The deceased's son, Mr. Liu, sued the defendants, including Zhejiang Luyuan in the capacity as the manufacturer of the said two-wheeled vehicle claiming for approximately RMB2.4 million in aggregate.	In May 2022, the Court of Second Instance ruled partly in favor of the plaintiff and Zhejiang Luyuan was found 80% liable to this incident amounting to approximately RMB1.9 million which has been fully paid as of the Latest Practicable Date. We were not able to provide strong evidence to refute the plaintiff's claims in the course of the legal proceedings primarily because we did not have the opportunity to examine the relevant vehicle which was destroyed in the accident and challenge the fire scene report which we do not agree with and only received the same and became aware of the accident when being notified to attend trial court proceedings. Based on the facts that (i) the internal testing and investigation on the incident and similar product models lead by our research and development team immediately after being informed of the case did not reveal any abnormalities with the wiring or any product safety and quality risks, the results of which aligned with that of the independent testing and examination on the product model involved in the case conducted by the National Bicycle and Electric Bicycle Quality Inspection Center (國家自行車電動自行車質量監督檢驗中心); (ii) approximately 25,000 vehicles of the relevant models were sold from 2015 to 2017, and there has been no similar incident involving the relevant product models; (iii) we have not received any order from relevant government authorities to recall the relevant product model; and (iv) we have not received any order from relevant government authorities to recall any product models manufactured and sold during the Track Record Period, our Directors believe this accident was an isolated incident. Based on the foregoing and the due diligence conducted, nothing has come to the attention of the Sole Sponsor for them to disagree with the Directors' view above.	Together with case two below, RMB0.8 million. The total judgement amount was not fully covered by insurance primarily due to (i) deductibles (which is the amount a policy holder must pay out of pocket before insurance kicks in) and caps stipulated in the relevant insurance policies, and (ii) the insurance company's uncertainty as to the extent of product liability as it (and us) did not have the opportunity to properly investigate the accident and claims. The fact that Ms. Xu (owner of the relevant vehicle) did not sign the relevant fire accident report and her denial that the accident was caused by her vehicle also provided the insurance company grounds to reduce coverage. According to the relevant insurance policy, the insurance company was still uncertain on the extent of product liability because it was not bound by the court's ruling when assessing the amount of loss. No provision has been made as the judgement amount has been fully paid.

No.	Plaintiff(s)	Defendant(s)	Claims	Status	Insurance Coverage
				For measures we adopted to avoid similar incidents, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents" below for details.	
2.	Mr. Liu	Ms. Xu, Hefei Honghe Property Management Group Co., Ltd. (合肥鴻鶴物業管理集團有限公司), Zhejiang Luyuan, Wuwei City Housing and Urban-Rural Development Bureau (無為市住房和城鄉建設局)	In connection with the fire accident described above, the plaintiff also sustained injuries and sued the defendants for damages of approximately RMB1.4 million in aggregate. The two-wheeled vehicle involved was improperly parked, with other vehicles and items, at and clogging the stairway on the first floor of a residential building, and the injured living on the sixth floor blindly escaped toward the fire site on the first floor, contributing to his injuries.	In May 2022, the Court of Second Instance ruled partly in favor of the plaintiff and Zhejiang Luyuan was found 80% liable to this incident amounting to approximately RMB1.0 million which has been fully paid as of the Latest Practicable Date. For measures we adopted to avoid similar incidents, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents" below for details.	See case one above.

No.	Plaintiff(s)	Defendant(s)	Claims	Status	Insurance Coverage
3.	Mr. Yang, Ms. Huang, Ms. Yang, Ms. Zeng	Tianneng Shuaifude Energy Co., Ltd. (天能帥福得能源股份有限公司), Zhejiang Luyuan Information Technology, Chaowei Power Group Co., Ltd. (超威電源集團有限公司), Yingshang Northern Power Energy Limited (潁上北方動力新能源有限公司)	The plaintiffs alleged that on March 8, 2019, a man died and one of the plaintiffs sustained injuries from a fire accident that happened at the deceased's retail outlet caused by lithium-ion batteries store on the premises. The plaintiffs claimed for damages of approximately RMB1.8 million in total.	In March 2021, the trial court dismissed the plaintiffs' claims due to lack of evidence. We believe our products were not correlated to the fire on the basis that according to the relevant fire scene inspection record (火災現場勘驗筆錄), only cylindrical lithium-ion batteries were found at the fire scene, while the lithium-ion battery products we sold to the plaintiffs were rectangular. The plaintiff appealed and the case was remanded to the trial court. The retrial had commenced and pending judgement as of the Latest Practicable Date. Based on the trial court's findings and the fact that the plaintiffs failed to provide any evidence to the contrary, our Directors believe that we would not be found liable in the retrial. In addition, upon reviewing relevant evidences and documents, our PRC Legal Advisors are of the view that the risk that the Group will be found liable in the this case is remote on the basis that (i) the plaintiffs failed to meet the burden of proof in terms of proving the products of the Group were defective and proving that there was a causal relationship between the Group's products and the damages, and (ii) the new evidences submitted by the plaintiffs to the court of second instance which ordered the retrial makes it more likely that products of the other defendant(s) had caused the fire.	Not applicable as the case was dismissed by the trial court. Subject to an annual accumulated coverage limit of RMB20.0 million, the maximum insurance coverage under the Group's product liability insurance is approximately RMB2.0 million for each product liability claim. Based on the opinion of our PRC Legal Advisors that the likelihood of us being found liable in this case is remote, no provision has been made in respect of this case.

No.	Plaintiff(s)	Defendant(s)	Claims	Status	Insurance Coverage
4.	Mr. Jiang, Ms. Xu	Zhejiang Luyuan, Mr. Shi, Mr. Wang, Mr. Wang, Jianqiao Sub-district Office of Shangcheng District People's Government (Hangzhou) (杭州市上城區人民政府筧橋街道辦事處), Residents Committee of Hengtang Community of Jianqiao Sub-district (Shangcheng District, Hangzhou) (杭州市上城區筧橋街道橫塘社區居民委員會), Hangzhou Jianggan District Puping Electric Vehicle Retail Store (杭州市江干區普平電動車商行)	In August 2021, the plaintiffs alleged that on April 5, 2021, the plaintiffs' son sustained injuries and later died from a fire accident that allegedly was caused by a short-circuited electric bicycle and fire trucks could not get in due to the unregulated parking of vehicles in the neighborhood. The claim was raised against the owner of the said electric bicycle, the owners of the premises, the manufacturer Zhejiang Luyuan, and the relevant authorities allegedly in charge in managing the area. The plaintiffs claim for damages of approximately RMB1.3 million in total.	In October 2022, the trial court ruled that Zhejiang Luyuan was not liable to this incident because (i) the vehicle owner used batteries and chargers not from the original manufacturer; (ii) the relevant electric vehicle had obtained its quality certificate at the time of license registration and (iii) there was no evidence that the electric bicycle had any quality defects or experienced any malfunction. The other defendants were found liable to this incident, as the trial court determined that the accident was caused by the vehicle owner's use of batteries and chargers not supplied by the original manufacturer and the relevant retail store's unauthorized change of batteries and chargers, based on the fire accident report issued by the relevant fire brigade. In November 2022, Hangzhou Jianggan District Puping Electric Vehicle Retail Store (杭州市江干區普平電動車商行) appealed against the trial court ruling. The trial of second instance was held on February 16, 2023. The Hangzhou Intermediate People's Court made the final judgement on April 10, 2023 in which the appeal was dismissed and the original ruling that Zhejiang Luyuan was not liable to this incident was upheld. We have in place various internal control measures with respect to fire and major accidents. For details, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents."	Not applicable as Zhejiang Luyuan was not liable to this incident. Subject to an annual accumulated coverage limit of RMB20.0 million, the maximum insurance coverage under the Group's product liability insurance is approximately RMB2.0 million for each product liability claim. As advised by our PRC Legal Advisors that, according to the Civil Procedure Law of the PRC, the judgment and the written order of a people's court of second instance shall be final, and the Hangzhou Intermediate People's Court upheld the ruling that Zhejiang Luyuan was not liable to his incident, no provision has been made in respect of this case.

Having considered (i) our internal testing and investigation on the incident in connection with the first and second cases and similar product models did not reveal any abnormalities with the wiring or any product safety and quality risks; (ii) the first and second cases have been concluded and the aggregated judgement amounts of RMB2.9 million (or approximately 0.1% of our total assets as of December 31, 2022) has been fully paid, among which RMB0.8 million has been covered by insurance; (iii) the amount claimed by the plaintiffs in the third case, which amounts to approximately RMB1.8 million (or less than 0.1% of our total assets as of December 31, 2022), is immaterial to our overall financial conditions; (iv) our PRC Legal Advisors' opinion that the risk that the Group will be found liable in the third case is remote and such legal proceedings would not directly result in any administrative penalties or require us to cease production; (v) the fact that, the trial court of the third case has dismissed the plaintiffs' claims as no evidence shows any causal relationship between our products and the incident; (vi) the appellate court in the fourth case has dismissed the appeal and upheld the original ruling that Zhejiang Luyuan was not liable to the incident; (vii) we no longer sell or produce the relevant product models involved in these legal proceedings, and (viii) our insurance coverage, our Directors are of the view, and our PRC Legal Advisors concur, that the above legal proceedings will not, individually or collectively, have a material adverse impact on our financial and business performance.

We have engaged the Special Internal Control Consultant to perform an independent review on the effectiveness and enforcement of our internal control measures with respect to education and promotion of fire safety awareness of distributors/sub-distributors and end consumers and response mechanism for major accidents. Based on the Special Internal Control Consultant's follow-up review, the Special Internal Control Consultant did not have any further recommendation and is of the view that the internal control measures with respect to education and promotion of fire safety and major accident response mechanism we currently have in place, if implemented on a continuous basis, are effective and adequate in reasonably reducing the likelihood of re-occurrence of similar incident due to inadequate promotion of fire safety to distributors/sub-distributors and end customers or the failure to respond to major accidents in a timely manner. For further details, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Noncompliance Incidents and Mitigate Risks of Fire or Major Accidents" below. Nothing has come to the attention of the Sole Sponsor for them to disagree with the views of the Special Internal Control Consultant.

Based on the above and considering, among others, (i) our contribution to the formulation and promotion of the New National Standards which significantly raised safety standards for electric two-wheeled vehicles, (ii) our dedication to improving product quality and safety and comprehensive measures adopted by us to prevent fire and major accidents involving our vehicles, including our research and development on relevant technologies, quality control procedures and education of distributors and consumers, and (iii) none of the fire accidents disclosed above were intentional nor the result of gross negligence or recklessness and none of our Directors are subject to any legal or administrative proceedings arising from such accidents, our Directors believe that the three fire accidents disclosed above (of which one was found by the relevant trial court as unrelated to the Group's products, and another was dismissed on appeal as Zhejiang Luyuan was found not liable) should not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

Furthermore, the electric two-wheeled vehicle industry experienced a boost by the early development of shared economy and shared mobility from 2016 to early 2017 when dozens of shared mobility companies emerged due to the lack of regulations and supervision followed by a stage of strict regulations and supervisions from April 2017 to April 2019 during which certain major cities forced major shared mobility players to cease operation and when electric two-wheeled vehicle shared mobility was not supported. According to Frost & Sullivan, the electric two-wheeled industry has entered a new stage since the implementation of the New National Standards in April 2019 and other national standards and it is considered that, for complying manufacturers, common legal risks in the industry such as being involved in fire or traffic accidents will gradually decrease. For details, see "Industry Overview – Key Development Drivers and Market Opportunities – Development of Regulations and Supervisions and Analysis of Legal Risks".

Recent Intellectual Property Infringement Claim

On September 19, 2023, we received a lawsuit filed by a patent owner Mr. Ju Yongming (居永明) as the plaintiff. The lawsuit names our Group and other co-defendants alleging that one electric bicycle product the plaintiff procured from our Tmall flagship store infringes a patent regarding a type of rechargeable battery allegedly held by the plaintiff. Based on public records, this patent at issue has expired and become invalid on March 8, 2022. The plaintiff is seeking a total of RMB100 million in monetary damages from our Group and other co-defendants. Additionally, the plaintiff submitted a court application for property preservation of RMB3.0 million of cash in our bank account, which the court has approved.

The defendants include (i) us, seller of the relevant product, (ii) Zhejiang Fengniao Vehicle Limited (浙江鋒鳥車業有限公司) ("**FengNiao**"), manufacturer of the relevant product, (iii) Qinhuangdao Xinchi Guangdian Technology Limited (秦皇島市芯馳光電科技有限公司) ("**XinChi**"), manufacturer of the allegedly infringing battery, and (iv) Zhejiang Tmall Internet Limited (浙江天貓網絡有限公司), operator of Tmall.

At present, court proceedings have not been scheduled for this lawsuit. Evidence submitted by the plaintiff includes only one allegedly infringing folding electric bicycle which was manufactured by FengNiao and containing a battery made by XinChi. It is unclear at this point whether the batteries manufactured by XinChi in fact infringes the patent at issue.

During the term of our cooperation with FengNiao from August 2021 to August 2022, we procured a total of 135 electric bicycles from FengNiao, to sell them through our self-operated online stores. This was primarily a targeted marketing effort to attract consumers that may be interested in the product style and introduce them to our other products offered on our self-operated online stores.

With respect to the plaintiff's claim described above, our PRC Legal Advisors are of the view that the risk of us being subject to material liabilities and thus have any material adverse impact on our business, results of operations and financial condition is remote on the following basis:

- based on the PRC Patent Law, we shall be exempt from liability for infringement damages if we can prove that the product we sold has a legitimate source and we were unaware that the product was manufactured and sold without the patent owner's authorization; and

- in the event that the court rules in favor of the plaintiff, (i) the Company's ordinary sales of products would not be affected given that the patent at issue has expired and become invalid, and the plaintiff is not entitled to seek injunctive relief under the PRC Patent Law, and (ii) the amount of the monetary damages that the plaintiff is entitled to receive from us shall be determined by the court with reference to our operating profit as generated from such infringing products.

  Specifically, as advised by our PRC Legal Advisors, according to article 71 of the PRC Patent Law, article 14 of the *Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trial of Cases involving Patent Infringement Disputes (2020 Amendment) (《最高人民法院關於審理專利糾紛案件適用法律問題的若干規定(2020修正)》)* as well as judicial practice, monetary damages are generally determined with reference to the profit gained by the infringer from the infringement, which is in turn calculated by multiplying the number of infringing products sold and the reasonable profit per infringing product.

  As such, based on preliminary information and evidence submitted by the plaintiff, the maximum amount of the monetary damages the plaintiff could be entitled to receive from us is estimated to be RMB18,024. This amount represents our operating profit calculated based on RMB133,873, being the revenue generated from our sale of FengNiao products before the patent at issued expired and became invalid on March 8, 2022 less RMB115,849, being our cost to procure such products.

We intend to defend ourselves vigorously. Although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, taking into account the view of our PRC Legal Advisors, our Directors are of the view that this lawsuit will not have any material adverse impact on our business, results of operations and financial conditions on the following basis:

- we confirm that we are unaware of any unauthorized manufacturing or sale of the product at issue. Therefore, in the event the court finds the product infringing, we intend to claim exemption from liability for infringement damages pursuant to the PRC Patent Law as described by our PRC Legal Advisors above;

- the plaintiff's claim for RMB100 million against us is groundless as he based his claimed amount on our total battery sales revenue during the Track Record Period as publicly disclosed in this prospectus. We believe a reasonable claim would be limited to the profit from the specific alleged infringing product, not blanket revenue from all of our battery sales. Since our cooperation with FengNiao in August 2021, we only procured 135 vehicles from FengNiao, and only 57 were sold by us before the patent at issue expired. Revenue contributed by these 57 products was merely RMB133,873. As advised by our PRC Legal Advisors, based on preliminary information and evidence submitted by the plaintiff, the monetary damages the plaintiff is entitled to receive from us, with reference to our operating profit as generated from the allegedly infringing products, will not exceed RMB18,024, accounting for an insignificant portion of our operating profit;

- we did not procure any FengNiao product in 2023. From March 8, 2022, when the patent at issue expired and became invalid, to the Latest Practicable Date, we sold only 78 FengNiao products accounting for RMB179,142 in revenue, which is insignificant to our overall business operations. As of the Latest Practicable Date, we have no unsold inventory of FengNiao products; and

- pursuant to our procurement agreement with FengNiao, (i) FengNiao ensures that it is the legal manufacturer or seller of the products supplied to us, and that its products do not infringe upon any intellectual property right of other third parties, and (ii) we are entitled to indemnity from FengNiao.

Compliance

Non-compliance with PRC Law

Our Directors, as advised by our PRC Legal Advisors, confirm that as of the Latest Practicable Date, we have complied with the relevant PRC Law in all material respects and have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in mainland China, except as disclosed in "– Properties – Leased Properties" and "– Legal Proceedings and Compliance" herein.

The following table sets forth our non-compliance incidents under the relevant PRC Law during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to these incidents:

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
We commenced our operations at certain production facilities of our Shandong Plant and Guangxi Plant before obtaining the relevant pollutant discharge permits.	*Shandong Luyuan* The failure to obtain the pollutant discharge permit of Shandong Luyuan was mainly due to the suspension and postponement of issuing and renewing pollutant discharge permits by relevant government authorities in the process of establishing a new regulatory regime for ecology and environmental protection and when Shandong Luyuan's original pollutant discharge permit expired in November 2014. In May 2020, the Environmental Protection Bureau of Yinan issued the "*Notice on Launching Registration of Pollutant Discharge Permits in 2020*", announcing its commencement of accepting applications for pollutant discharge permit. The review process under the new regulatory regime was complex and lengthy.	According to Regulation on the Administration of Permitting of Pollutant Discharges (排污許可管理條例), where any pollutant discharging entity discharges pollutants without obtaining a pollutant discharge permit, the competent department of ecology and environment shall require rectification, restrict or suspend the production of the entity, and impose a fine ranging from RMB0.2 million to RMB1.0 million.	We promptly applied for renewal of our pollutant discharge permit in July 2020 and complied with multiple rounds of requests of the relevant government authorities and obtained the new pollutant discharge permit for Shandong Luyuan on April 8, 2022. We promptly applied to the relevant government authority in February 2022 and obtained the pollutant discharge permit for Guangxi Luyuan on May 26, 2022. Based on the interviews with the Yinan branch of Linyi Ecological Environmental Bureau, which is the competent authority, as Shandong Luyuan has been granted the pollutant discharge permit, commencement of operations before obtaining the pollutant discharge permit does not constitute a material violation of applicable laws and regulations, and it would not fine, investigate or impose any other administrative penalties on Shandong Luyuan.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
	Guangxi Luyuan The failure to obtain the pollutant discharge permit for Guangxi Luyuan was primarily due to the lack of sufficient understanding of the requirements of relevant laws and regulations by the relevant employees of the newly established Guangxi Plant. Specifically, employees at our Guangxi Plant were mistaken that the pollutant discharge permit was required only when industrial sewage will be generated and applied for the pollutant discharge permit in February 2022 before we generated any industrial sewage while we had started to generate domestic sewage. We became aware of that this constituted a non-compliance in February, 2022 upon being advised by our PRC Legal Advisors we engaged for the purpose of our listing application that our failure to obtain the pollutant discharge permit for Guangxi Luyuan constituted a non-compliance and advised us to take rectification actions.		Based on the interviews with Guigang Gangbei Ecological Environmental Bureau, which is the competent authority, it has not imposed any administrative penalties on or issued any rectification notice to Guangxi Luyuan in relation to its construction and operations, and that Guangxi Luyuan has continuously cooperated with the Bureau in terms of environmental protection and carried out construction procedures in accordance with relevant laws and regulations. Based on the aforementioned interviews, our PRC Legal Advisors are of the opinion that the risk of our Group being penalized due to such historical lack of pollutant discharge permits is relatively remote. Based on the aforementioned confirmations and as advised by our PRC Legal Advisors, our Directors are of the view that the lack of pollutant discharge permits would not have a material adverse effect on our operations. We have enhanced our policies and procedures relating to construction of production facilities and expansion of production capacity to clearly define the procedures as well as roles and responsibilities for obtaining and maintaining relevant permits and documents. We have established monitoring mechanism to govern and monitor the progress of application of relevant permits and documents and timely identify any potential delay. For further details, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents".

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
We commenced (i) the construction of a facility at our Guangxi Plant without obtaining the approval of the relevant authorities with respect to the required environmental impact report, and (ii) the production at our Guangxi Plant without completing the filing of the inspection and acceptance (竣工驗收備案) with relevant authorities.	Such non-compliance incidents occurred primarily due to the lack of sufficient understanding of the requirements of relevant laws and regulations by the relevant employees. Specifically, the relevant employees were mistaken that the relevant requirements were fulfilled as Guangxi Luyuan obtain the relevant permit for commencement of construction works (建設工程施工許可證) in February, 2020. Notwithstanding such misunderstanding, Guangxi Luyuan applied to the relevant authorities in August 2021 without being aware of its non-compliance and obtained the approval of the relevant authorities with respect to the required environmental impact report in October, 2021. With respect to commencing production without completing the filing of inspection and acceptance, the relevant employees were mistaken that the relevant requirements were fulfilled as Guangxi Luyuan completed the inspection and acceptance (竣工驗收) in July, 2021 and therefore did not complete the last step of filing. Notwithstanding such misunderstanding, Guangxi Luyuan completed the filing in May 2022 and obtained the relevant property ownership certificates in June 2022. We became aware of such non-compliances in February 2022 upon being advised by our PRC Legal Advisors we engaged for the purpose of our listing application that commencing (i) the construction of a facility at our Guangxi Plant without obtaining the approval of the relevant authorities with respect to the required environmental impact report, and (ii) the production at our Guangxi Plant without completing the filing of the inspection and acceptance constituted non-compliances.	According to the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Regulations on Environmental Protection Management of Construction Projects (《建設項目環境保護管理條例》), (i) commencing the construction of our manufacturing facility without preparing the required environmental impact assessment documents and without obtaining the approval of the relevant authorities could subject us to a fine ranging from 1% to 5% of the overall investment amount for such construction project depending on the materiality and consequences of such violations, and we may be ordered to restore the construction site to its original state; and (ii) commencing the production at our Guangxi Plant without completing the filing of the inspection and acceptance could subject us to an order to make corrections within a specified time limit and a fine ranging from RMB200,000 to RMB1.0 million. If we are found not to have rectified such noncompliance within the specified time limit, we may be subject to a fine of RMB1.0 million to RMB2.0 million. If the construction project causes significant environmental pollution or ecological damage, its production or usage shall be suspended, or the project shall be closed down until the approval by the relevant government authorities is obtained. According to Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) failure to submit completion acceptance reports, relevant approval documents or permission documents in accordance with the regulations could subject us to an order to make corrections a fine ranging between RMB200,000 yuan to RMB500,000.	We obtained the approvals of environmental impact assessment in October 2021 and obtained the relevant property ownership certificates for the relevant facility in June 2022. Based on the confirmations from and interviews with Guigang Gangbei Ecological Environmental Bureau, it has not imposed any administrative penalties on or issued any rectification notice to Guangxi Luyuan in relation to commencement of construction without preparing the required environmental impact assessment documents and without obtaining the approval or filing of the relevant authorities and commencement of production without completing the filing of inspection and acceptance with relevant authorities, and that Guangxi Luyuan has continuously cooperated with the Bureau in terms of environmental protection and carried out construction procedures in accordance with relevant laws and regulations. Our PRC Legal Advisors are of the opinion that the risk of us being ordered to restore the construction site to its original state or to stop using the relevant facility is relatively remote on the basis that (i) the above non-compliance incident has been rectified and Guangxi Luyuan has obtained the relevant real estate ownership certificates, (ii) as of the Latest Practicable Date, no significant environmental pollution or ecological damage occurred due to the relevant facility, and (iii) the confirmations from and interviews with competent authorities. Although we may still be fined by the relevant environmental authorities, our Directors believe that there will not be any material adverse impact on our overall business, financial conditions or results of operations. We further enhanced our internal control measures. See "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents".

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
In 2020 and 2021, Shandong Luyuan received eight administrative penalties issued by Yinan County Market Supervision and Administration which found that a total of 84 products under ten product models produced by Shandong Luyuan were in violation of requirements as specified in the Product Quality Law of the PRC. All of these products were produced after the implementation of the New National Standards. Among these administrative penalties, four were correlated to four administrative penalties received by distributors/sub-distributors for selling the relevant non-conforming products. For details, see "– Distributor Administrative Penalty Decisions – Other Administrative Penalties Received by Distributors/Sub-distributors." The specific non-conformities were misdescription of user manual due to printing mistake, non-conforming tested value of overcurrent protection, lack of one short-circuit fuse due to inconsistencies in the implementation and interpretation of the New National Standards, non-conforming fuse installed at the battery output end, non-conforming brightness value of front and rear lights, unqualified speed due to quality of controller, overweight due to basket and backrest added, and frontline of saddle exceeding centerline of vehicle.	Such non-compliance incidents occurred primarily because (i) in terms of short-circuit protection, relevant vehicles were produced under the inconsistencies in the implementation and interpretation of the New National Standards during the transition period from the old national standards among different local government authorities, testing institutions and manufacturers. Relevant government authorities clarified the requirements of the New National Standards in October 2019, which specified that separate short-circuit fuses should be installed for each of the charging circuit and battery output circuit for an electric two-wheeled vehicle; and (ii) unstable quality of raw materials such as controllers and lights provided by certain suppliers. None of these administrative penalties involved any material quality issue or immediate safety issues.	Under the Product Quality Law of the PRC and pursuant to the relevant administrative penalty decisions issued by the Yinan County Market Supervision and Administration, Shandong Luyuan was ordered to (i) cease production of the non-conforming products, (ii) pay fines which amounted to RMB89,536 in aggregate, and (iii) forfeit illegitimate earnings of RMB6,344 in aggregate. In 2020, 2021 and 2022 and the four months ended April 30, 2023 and up to the Latest Practicable Date, sales generated by the 84 non-conforming products pursuant to the respective administrative penalty decisions amounted to RMB55,220, RMB23,830, nil, nil and nil, respectively. Since commencement of production of the relevant product models and up to receiving the administrative penalties, the total number of products sold under these ten product models was approximately 281.1 thousand units revenue contribution of these product models amounted to approximately RMB299.6 million. As we had ceased production of the non-conforming products before or at the time of receiving the relevant administrative penalties, we held no inventory of the non-conforming products at the time when relevant administrative penalties were issued and therefore no inventory of non-conforming products was written-off during the Track Record Period and up to the Latest Practicable Date.	Shandong Luyuan had rectified the non-compliance incidents by ceasing production of the non-conforming products and fully settling the fines and illegitimate earnings. All 84 non-conforming products were repaired or upgraded by the relevant distributors/sub-distributors to the satisfaction of the relevant authorities. As advised by our PRC Legal Advisors, the relevant administrative penalty decisions have been enforced in full and Shandong Luyuan is not subject to any further penalty with respect to such non-compliance incidents. As such, we are not subject to any further potential administrative, legal operational or financial exposure in relation to these administrative penalties. During the Track Record Period and up to the Latest Practicable Date, we did not, and were not required by any relevant government authority to, conduct any product recalls.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
		In interviews with the Yinan County Market Supervision and Administration, it was confirmed that these eight administrative penalties were not serious and material non-compliances and we are entitled to continue to produce and sell conforming products of the relevant product models. All of our products had obtained CCC quality assurance certificates, and we did not receive any other administrative penalties with respect to product quality during the Track Record Period. As such, we continued to produce and sell the relevant product models after we completed all required rectifications pursuant to the respective administrative penalty decisions and only ceased production of these models when they became outdated. In 2020, 2021 and 2022 and the four months ended April 30, 2023, sales generated from the ten product models which had certain products involved in these administrative penalties amounted to RMB105.6 million, RMB80.6 million, RMB0.7 million and nil, respectively. As advised by our PRC Legal Advisors, we had complied with applicable laws and regulations relating to product quality in all material aspects during the Track Record Period and up to the Latest Practicable Date.	*Rectifications specific to the short circuit protection* In relation to short-circuit protection, upon receiving the Official Clarification, we started to implement the same on our products accordingly, upgrade relevant products and make requests to changes for relevant CCC quality assurance certificates. The administrative penalties we received for this reason only related to products manufactured and sold before we received the Official Clarification in October 2019. All of relevant products produced since October 2019 complied with the New National Standards and the Official Clarifcation. While there was no legal or regulatory requirement or order from any relevant authority that required us to recall any of the relevant products sold before receiving the Official Clarification, we also made active efforts to ensure compliance of products sold before receiving the Official Clarification and avoid (to the extent possible) being penalized for such products, including issuing notices to distributors to suspend sales until required upgrades were made. We also incorporated relevant check points to the quality control procedures of our products and relevant key performance indicators to evaluate our quality control personnel. *Rectifications specific to other administrative penalties related to batch-specific issues* In relation to overall vehicle weight, we have instructed sales managers to enhance their training provided to distributors in terms of product status, performance and scope of relevant CCC quality assurance certificates. In relation to non-conformities caused by unstable raw materials provided by suppliers, we have strengthened quality control and supervision over suppliers, increased frequency and number of random inspections and incorporated relevant key performance indicators to evaluate our quality control personnel.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
		Reasons that these administrative penalties do not pose any material potential impact on our Group We believe that the administrative penalties unrelated to the short circuit issue were caused by limited, batch-specific issues (i.e. isolated cases that are not indicative of any design or production deficiencies) and therefore do not pose any material potential impact on our Group. In addition, the short-circuit issue was initially caused by inconsistent interpretation of the New National Standards at its early implementation. Based on the original language of the New National Standards, we designed relevant short-circuit protection devices using one shortcircuit fuse for both the charging circuit and the battery output circuit. We believe that such design was sufficient and complied with the original wording of the New National Standards from a technical standpoint. However, relevant government authorities subsequently clarified the requirements of the New National Standards in October 2019 (the "Official Clarification") which required separate short-circuit fuses for the two circuits. Prior to October 2019, we produced 32.8 thousand vehicles that potentially relate to the short circuit issue. We believe that none of these products should be considered non-conforming products and believe that they do not pose any material potential impact on us, primarily considering that (i) the short circuit issue does not involve any material quality or immediate safety issue of the relevant product models, (ii) we did not receive any other product quality-related administrative penalties in 2022 and up to the Latest Practicable Date, (iii) no government authority other than the Yinan County Market Supervision and Administration has found us liable for the relevant products during the Track Record Period and up to the Latest Practicable Date, (iv) as of the Latest Practicable Date, we have not identified any material accidents, complaints, safety issues, warranty claims and/or litigations arising from the short circuit issue, (v) there was no requirement to recall the relevant products, (vi) the active rectification measures adopted by us since receiving the Official Clarification, including repairing products produced before October 2019 to the extent possible, and (vii) the products produced before October 2019 are being gradually replaced by new models.	We have also adopted enhanced internal control measures with respect to product conformity and related compliance. For details, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents – Product conformity and compliance with legal requirements and national standards". Our Directors confirm that, to the best of their knowledge, there were no material accidents, complaints, safety issues, warranty claims and/or litigations against us arising from non-conforming products during the Track Record Period and up to the Latest Practicable Date. We confirm that, to the best of our knowledge, we are not subject to any investigation from relevant government authorities for product conformity as of the Latest Practicable Date.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
		Our PRC Legal Advisors also concur with our view above that (a) the short circuit issues do not involve material quality or immediate safety issue of the products and (b) the 32.8 thousand vehicles produced before receiving the Official Clarification should not be considered as non-conforming products, primarily based on (i) compliance confirmations from relevant government authorities that we have not been involved in any material quality incidents during the Track Record Period, (ii) the relevant government authority has deliberately confined the scope of non-conforming products and penalties to a negligible number of products identified in its administrative penalty decisions based on its investigations, (iii) their interpretations of relevant provisions of the Law of the PRC on Product Quality (《中華人民共和國產品質量法》) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) which indicate that in the event of such material product quality issues the relevant government authority should've revoked relevant business licenses or required product recalls, while both of which did not take place in the case of our Group, and (iv) our representations that the original design of our short-circuit protection device is sufficient and complies with the New National Standards from a technical standpoint.	

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
According to the Chinese Social Insurance Law (《中華人民共和國社會保險法》) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance. According to the Regulations on Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》), we are required to make housing provident fund contributions for our employees. During the Track Record Period, we failed to make contributions to the social insurance and housing provident funds with respect to most of our employees in full amount as required by the relevant PRC Law. In 2020, 2021 and 2022 and the four months ended April 30, 2023, the shortfall amounts of such social insurance and housing provident fund contributions were RMB4.4 million, RMB3.4 million, RMB1.2 million and nil, respectively.	These non-compliance incidents occurred primarily because: (i) a certain number of our employees are migrant workers with high mobility who are typically unwilling to participate in the social welfare schemes of the city where they temporarily reside, (ii) a certain number of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salaries (iii) the lack of experience of our relevant personnel who did not fully understand the relevant requirements of the relevant PRC Law, and (iv) inconsistencies in implementation and interpretation of the relevant PRC Law among different local government authorities.	Our PRC Legal Advisors has advised us that, under PRC Law, in respect of outstanding social insurance contributions, the relevant authorities in mainland China may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Based on the unpaid amount of our social insurance contribution of RMB4.0 million, RMB2.5 million, RMB0.7 million and nil for 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively, the potential maximum fine which may be imposed on us if we fail to make required payments within the stipulated period required by the competent government authority equals to three times of the outstanding amount of our social insurance contribution. If we are ordered to make such payment by competent government authorities, we will do so within the prescribed time period and we do not expect to incur fines for the outstanding amounts of social insurance contributions.	Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant authorities in mainland China requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we were neither aware of any material pending employee complaints nor were involved in any material pending labor disputes with our employees with respect to social insurance and housing provident funds as of the Latest Practicable Date; and (iv) as advised by our PRC Legal Advisors, based on the relevant regulatory policies, the Company's confirmation and the facts stated above, and the confirmations from and interviews with relevant authorities, the likelihood that we would be required by relevant authorities actively to pay shortfall for social insurance and housing provident fund contributions collectively or being subject to material administrative penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is relatively remote.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
		Our PRC Legal Advisors have also advised us that, in the event that we fail to pay the housing provident funds in full amount, the housing provident fund administrative center will order us to pay the amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application may be made to the PRC courts for compulsory enforcement. As advised by our PRC Legal Advisors, there are no expressed legal provisions or regulations that impose a penalty on the Group for such under-payment but we may be ordered to pay the outstanding amount of our housing provident fund. In 2020, 2021 and 2022 and the four months ended April 30, 2023, the shortfall amounts of such housing funds contributions were RMB0.4 million, RMB0.9 million, RMB0.4 million and nil, respectively. If we were ordered to make such payment, we will do so within the prescribed time period.	Nevertheless, we have made provisions for the shortfall amounts of social insurance and housing provident fund contributions in the amounts of RMB4.4 million, RMB3.4 million, RMB1.2 million and nil for 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. We have been actively reviewing and improving our practices. Specifically, starting from June 2022, we have completed the registration procedures for all of our current employees in connection with the contribution of social insurance premiums and housing provident funds and had made contributions for all employees pursuant to the requirements of relevant government authorities. In this regard, we have obtained written compliance confirmation letters from the relevant competent government authorities, which confirm that (i) we have contributed social insurance premiums and housing provident funds in compliance with the requirements of applicable laws and regulations with respect to social insurance and housing provident fund contributions or the standards permitted by the relevant and competent local government authorities, (ii) no administrative penalties had been imposed on us in connection with the matter of social insurance premiums and housing provident funds and (iii) we did not have shortfall of social insurance and housing provident fund contributions. As advised by our PRC Legal Advisors, the government authorities that issued such confirmation letters are competent government authorities in charge of social insurance and housing provident funds.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
		Moreover, for social insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, it is prohibited for administrative enforcement authorities to organize and conduct centralized collection of enterprises' historical social insurance arrears. The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) (Shui Zong Fa [2018] No. 174) promulgated by the SAT and became effective on November 16, 2018, repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years. The Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》) (Guo Ban Fa [2019] No. 13), promulgated by the General Office of the State Council on April 1, 2019, emphasized that in the process of the reform of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises, and it is not allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprise.	Taking the above-mentioned into account, including the compliance confirmation letters, and our confirmation regarding to our contribution to social insurance and housing provident funds with respect to all current employees, our PRC Legal Advisors are of the view that, since July 2022, our contributions to the social insurance and housing provident funds pursuant to our improved practices comply with the requirements permitted by the competent local government authorities that issued the compliance confirmation letters above. We have taken the following rectification measures to prevent future occurrences of such non-compliances: (i) we have enhanced our human resource management policies, which require social insurance and housing provident fund contributions to be made in accordance with applicable laws and regulations or in a manner as required by the relevant government authorities, and have assigned designated personnel to monitor the status of payments of social insurance premiums and provident funds on a regular basis; (ii) we will keep abreast of latest developments in PRC Law in relation to social insurance and housing provident funds; (iii) we will consult our PRC legal counsel on a regular basis for advice on relevant PRC Law to keep us abreast of relevant regulatory developments; and (iv) we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees.

Non-compliance with Hong Kong Laws

Our Directors confirm that save as disclosed below under this paragraph, we have complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth our non-compliance incidents under the relevant Hong Kong laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to these incidents:

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
Our Company filed a Form NN6, in relation to a change of directors of our Company on April 8, 2022, with the Companies Registry seven days later than the time limit stipulated in the Companies Ordinance.	The late filing was due to an inadvertent mistake and oversight by our staff responsible for the matter who did not seek timely and professional advice at the relevant time.	Pursuant to the Companies Ordinance, every responsible person of the company, and every agent of the company who authorizes or permits the contravention, commit an offence, and each can be liable to a potential maximum fine of HK$25,000 and, in the case of a continuing offence, to a further potential maximum daily fine of HK$700 for each day during which the offence continues. During the Track Record Period and up to the Latest Practicable Date, we have not been penalized for the non-compliance incident.	We have taken remedial actions in relation to the non-compliance by filing the specified form (Form NN6) with the Companies Registry. We have designated our administration staff to be responsible for managing and supervising our Company's Companies Registry filings in relation to relevant corporate actions who will work closely with our joint company secretaries to prepare the necessary fillings to submit to the Companies Registry in a timely manner. The relevant staff is required to keep a register in respect of, among other things, the filing deadlines and filing statuses of all relevant documents required under the Companies Ordinance and to seek legal advice to ensure due compliance of the statutory requirements under the Companies Ordinance.

Non-compliance incidents	Reasons for the non-compliances	Legal consequences	Rectification and Enhanced Internal Control Measures
Luyuan HK failed to file Form 56B, for each of the years of assessment ended March 31, 2020 and March 31, 2021, and Form 56F for one employee within the prescribed time limit under section 52 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("**Inland Revenue Ordinance**").	The non-compliance was due to the unintended and inadvertent omission by our staff who was responsible for handling filings to the Inland Revenue Department of Hong Kong at the relevant time.	According to the Inland Revenue Ordinance, any person who without reasonable excuse contravenes section 52 commits an offence and is liable on conviction to a potential maximum fine of HK$10,000. During the Track Record Period, Luyuan HK was fined HK$2,400 by the Inland Revenue Department of Hong Kong for the late filing of Form 56B for the assessment year ended March 31, 2021. The fine was subsequently settled by our Group. Save as the aforesaid, Luyuan HK was not penalized for the non-compliance incident during the Track Record Period and up to the Latest Practicable Date.	We have taken remedial actions in relation to the non-compliance by filing the relevant Form 56B and Form 56F with the Inland Revenue Department of Hong Kong and have fully reported the annual salary of the employee. We have engaged a tax representative to supervise the preparation and filing status of all relevant documents required under the Inland Revenue Ordinance. Going forward, the administrative staff who is responsible for managing our human resources in Hong Kong is required to keep a register of, among other things, filing deadlines and filing statuses of all relevant forms required under the Inland Revenue Ordinance.

We are of the view that (i) our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and ongoing and future compliance with other relevant legal and regulatory requirements; (ii) the past non-compliance incidents would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules, and (iii) our Directors have the competency, integrity and ability, and are willing to, manage our business in a law-abiding manner, on the following basis:

- our Directors did not intentionally cause our Group to breach any of the applicable laws and regulations and the occurrence of the non-compliance incidents were not due to the dishonesty, gross negligence or recklessness of our Directors nor for illegitimate purposes, especially considering the non-compliance with respect to social insurance and housing provident fund contributions were mainly the result of practical difficulties and that the root cause of such non-compliance is out of our Group's control despite our active efforts to comply and through no fault of our internal control measures. For details, see "– Non-compliance with PRC Law" above;

- all our executive Directors have substantial experience in business management and none of them is subject to any legal or administrative proceedings arising from the non-compliance incidents or legal proceedings above; Our executive Directors exercised fiduciary duty, duty of care and skill during the daily operation of our Group and have actively caused our Group to adopt measures to prevent and reduce the occurrence of legal risk incidents that are common in the electric two-wheeled vehicle industry. For examples of such measures, see "– Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents". In addition, according to Frost & Sullivan, following the implementation of various national standards since 2019, it is estimated, for complying manufacturers, common legal risks in the industry such as being involved in fire or traffic accidents will gradually decrease. For details, see "Industry Overview – Key Development Drivers and Market Opportunities – Development of Regulations and Supervisions and Analysis of Legal Risks";

- as advised by our PRC Legal Advisors, based on the compliance certificates issued by and interviews with the local government authorities governing the business operation of the operating entities in the Group in respect of industry and commerce, quality supervision, work safety, social insurance, housing provident fund, tax, properties and environmental protection, as well as the public searches conducted by our PRC Legal Advisors and confirmations from us, save for the non-compliance incidents disclosed above in "– Non-compliance with PRC Law", the Group has complied with the applicable PRC laws and regulations for our business operations in all material aspects during the Track Record Period;

- the non-compliance incidents, individually or collectively, have not had any material impact on our business operations and financial position. We have fully settled all administrative penalties and have made sufficient provision with respect to all non-compliance incidents, where applicable;

- our Directors have shown their willingness and commitment to ensure our future compliance based on the facts that (i) we have taken rectification and remedial actions immediately upon identification of the non-compliance incidents, whether in the past or during the preparation of the Listing, (ii) we have engaged a third-party internal control consultant (the "**Internal Control Consultant**") to perform an internal control review on our internal control systems, (iii) we have made further enhancement to our internal control systems pursuant to the recommendations of the Internal Control Consultant, which have not identified any additional material internal control deficiencies through its follow-up review. Furthermore, we have appointed a compliance advisor to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong and will engage professional and experienced legal advisors to advise on compliance with relevant laws and regulations. For further details of our internal control measures, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents";

- since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not had any material breach of rules and regulations other than the non-compliance incidents as disclosed above; and

- our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

Based on the due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention which would cause the Sole Sponsor to disagree with the foregoing analysis.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a comprehensive set of risk management policies and procedures including anti-fraud regulations and risk management regulations, to identify, assess and manage risks that we are exposed to in our day-to-day operations. The Company has established a risk management committee responsible for the overall risk management. The risk management committee is composed of the Board, the risk management leadership group, the risk management executive group, and the risk information collection group. We encourage a culture of risk management and each department of the Company authorizes or designates personnel to collect risk information and report risk information to the risk management executive group. The risk management executive group is responsible for reviewing the risk management system regularly and guiding the risk management executive group. The risk management leadership group is the highest authority for risk management in the Company and approves the risk management system prepared by the executive group. The Board's role in risk management committee is to ensure the effectiveness of the risk management. For details on the qualifications and experiences of the members of the Board, see "Directors and Senior Management" in this prospectus.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, apart from establishing risk management committee, we have implemented, and will continue to implement, the following risk management and internal control measures on our Group level:

- We plan to establish our audit committee to oversee our accounting policies, internal audits, financial conditions, significant investments, and trading activities. For the professional qualification and experience of the members of our audit committee, see "Directors and Senior Management" in this prospectus;

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to connected transactions and information disclosure;

- continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- We have appointed an internal control consultant to review our internal control measures and provide recommendations; and

- We have appointed Jun Hui International Finance Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents

To prevent the occurrence of similar non-compliance incidents and mitigate the risk of fire and other major accidents, we closely examined our relevant internal control measures to identify the deficiencies in our internal control and put considerable efforts to improve our internal control measures, including engaging our Internal Control Consultant and Special Internal Control Consultant and making rectifications pursuant to their recommendations. The major enhanced internal control measures adopted by us in connection with non-compliance incidents and fire and other material accidents are set forth below:

- *Failure to obtain pollutant discharge permits, approval for environmental impact report and complete inspection and acceptance filing.* Our Directors and relevant personnel have attended comprehensive trainings provided by our PRC Legal Advisors on the legal requirements, necessary approvals, permits and licenses relating to construction of production facilities and commencement of operation. We have enhanced our policies and procedures relating to our production plants to clearly define the roles and responsibilities with respect to the application, renewal and management of relevant approvals, permits and licenses throughout our business operations, including follow-up and reporting mechanism to govern and monitor the progress of application and renewal of relevant permits and documents to timely identify any potential delay. With respect to our future production expansion plans, we will assign experienced and trained staff on-site to perform regular review and ensure the effectiveness of our internal control measures.

• *Product conformity and compliance with legal requirements and national standards.* We have arranged comprehensive and tailored trainings for our Directors and staff from our research and development, procurement, production, quality control and sales provided by industry experts and our PRC Legal Advisors in respect of applicable national and industry standards and the relevant laws and regulations relating to our products. We have designated personnel at our Product Certification department to oversee compliance with the New National Standards as well as other applicable standards and regularly update any changes in relevant laws and regulations as well as national and industry standards to keep our Directors and staff updated on an ongoing basis. All of our new product models are required to be approved by such personnel. In 2022 and up to the Latest Practicable Date, we have not received any administrative penalties with respect to product quality issues.

  In addition, we maintain rigorous quality assurance policies and processes with multiple quality checkpoints from the inspection of raw materials and components procured from suppliers, throughout our production process to the delivery of finished products, to ensure that our products conform to our internal product specifications and national and industry standards and are safe for consumers. For details, see "Business – Quality Control".

  In order to ensure that distributors and/or sub-distributors will not install non-conformed, substandard and/or unstable parts or components to the Company's products and will abide with all relevant legal requirements and national standards regarding product conformity, we have issued the Management Provisions on Law-abiding and Compliant Operations of Retail Outlets (《銷售門店守法合規經營管理規定》) which is applicable to all distributors, sub-distributors, retail outlets as well as all relevant sales and marketing personnel of the Group. The management provisions set forth in detail, and among other provisions, (i) management requirements including that all products displayed in retail outlets must be in the same status as recorded on the CCC certificates, (ii) a reporting system that ensures we are informed of government inspections, (iii) training and non-compliance identification guidelines, (iv) penalty clauses, and (v) rectification guidelines. We consider the compliance status of distributors as one of the most important criteria when engaging and evaluating distributors and sub-distributors. We also conduct periodic and ad hoc on-site inspections during which our sales personnel are required to check the compliance status and rectification status of distributors and sub-distributors. For further details of our on-site inspections, see "– Sales and Distribution – Offline Channels – Management of Offline Distributors". We have also established hotlines that allow distributors and the public to report non-compliances. Furthermore, we have also adopted various new technologies and designs that make our vehicles less susceptible to alteration. For details, see "– Distributor Administrative Penalty Decisions – Enhanced Remedial and Distributor Control Measures – Preventing alteration through enhanced technologies."

- *Social Insurance and housing provident fund.* For details of our enhanced internal control measures with respect to social insurance and housing provident fund, see "– Legal Proceedings and Compliance – Compliance – Non-compliance with PRC Law" above.

- *Fire and major accidents.* We are committed to prevent fire and major accidents involving our vehicles through various measures mainly including the following:

  – We have adopted a number of policies which have been distributed to distributors and sub-distributors to raise their awareness on fire safety and prevent fire accidents at retail outlets. Such policies include (i) requirements that retail outlets comply with fire safety requirements before opening, (ii) training for distributors on safety management, (iii) requirements that routine inspections must cover fire and retail outlet safety checks points, and (iv) a specified reporting and handling mechanism in response to distributor's possible safety incidents.

    In addition, our retail outlet management policy requires retail outlets to purchase relevant insurances. Our retail outlets can purchase public liability insurance and property liability insurance through our retail outlet safety program. As of the Latest Practicable Date, over 90% of our retail outlets had purchased insurance through us. For retail outlets that have yet to participate the safety program, we require them to purchase relevant insurances on their own and assign our employees to inspect their purchase of insurance and report to us on a regular basis. We have included the purchase of relevant insurances as part of our retail outlet assessment scheme. For retail outlets that have not yet purchased insurance, we may take measures, such as canceling rebates, to urge them to purchase insurance as soon as possible.

    A major accident response mechanism is also adopted within our Group which includes various aspects such as (i) roles and responsibilities of our major accident response team and a report and handling mechanism, (ii) identification and handling of potential accidents through after-sales service and complaints, (iii) response and handling measures for negative publicity, (iv) analysis on accidents and corresponding improvements, (v) social responsibility, compensation and appeasement approaches, and (vi) insurance coverage for major accidents.

  – We have enhanced our practices regarding informing and educating consumers through product manuals and other public channels on issues including charging, parking, making modifications to vehicles and riding safety. Our dedicated after-sales team have also organized periodic campaigns where they carry out inspections on consumers' vehicles to detect potential safety risks while providing consumers with safety education to raise their awareness.

  – We have been facilitating the development of the industry in the direction of safer and more reliable electric two-wheeled vehicles. In 2018, we were one of the only two manufacturers among the main drafting parties of the New National Standards, which significantly raised safety standards for electric two-wheeled vehicles. In light of the increasing use of lithium-ion batteries on electric two-wheeled vehicles and in recognition of our research and development and testing capabilities, we were also invited as one of the main drafting parties of the White Paper on the Safety of Lithium-ion Batteries for Electric Bicycles in 2020. We invest heavily in research and development of safe technologies and safe designs to promote safety and reliability of electric two-wheeled vehicles from a technical standpoint. For example, we have developed and widely adopted an innovative mesh-pattern wiring which prevents corrosion and short circuit caused by water accumulation. We have also applied a solid sealing technology and a graphene coating heat dissipation technology to the controller, which can help reduce its operating temperature, significantly improve its waterproof and shock resistance levels and effectively lower the risks of igniting nearby plastic parts of the vehicle. In addition, we are developing and plan to adopt other technologies to prevent fire accidents, including (i) fan-less solid-state charger which prevents heat increase due to fan malfunction and water leakage when charging outdoors; (ii) battery remote monitoring and big data systems which will allow us to predict and alert fire risks and arrange repair and replacement in advance; and (iii) lithium-ion battery charging cabinet equipped with fire detection and extinguishing systems. Furthermore, we have already started to design and develop vehicles that meet the requirements of GB42295-2022, the national standards for electrical safety requirements for electric two-wheeled vehicles which aims to address electric two-wheeled vehicle-related fire accidents released on December 29, 2022 and expected to come into effect on January 1, 2024.

In preparation of the Listing, we engaged the Internal Control Consultant to perform an internal control review. The work scope of our Internal Control Consultant covers reviewing and assessing various aspects of our operations, including (i) entity level controls, which covers employee training, board of directors and board committees, management philosophy, organizational structure, financial reporting, roles and responsibilities, human resources and legal and regulatory compliance, and (ii) business process level controls, which covers revenue and receivables, purchases and payables, inventory, costing, fixed assets, intangible assets, treasury, financial reporting, budgeting, insurance, tax, R&D management, payroll and general controls of information technology. Specifically, human resource under entry level controls covers, among other things, management mechanism over social insurance and housing provident fund compliance and legal and regulatory compliance covers systems and procedures for identification and management of non-compliance incidents, legal proceedings and dispute handling procedures, review and prevention of lawsuits and dispute and ongoing monitoring and assessment. The Internal Control Consultant performed a follow up review in June 2022 and December 2022, and confirmed that it did not have any further recommendation in the follow up review.

We have engaged the Special Internal Control Consultant to perform an independent review on the effectiveness and enforcement of our internal control measures with respect to fire safety issues and major accidents, including our education and promotion of fire safety awareness for distributors/sub-distributors and end customers, and response mechanism for major accidents. Based on the Special Internal Control Consultant's follow-up review carried out between

February 17, 2023 and February 28, 2023, the Special Internal Control Consultant did not have any further recommendation and is of the view that the internal control measures with respect to education and promotion of fire safety awareness for distributors/sub-distributors and end customers, and response mechanism for major accidents we currently have in place, if implemented on a continuous basis, are effective and adequate in reasonably reducing the likelihood of reoccurrence of similar incidents due to inadequate promotion of fire safety to distributor/sub-distributors and end consumers or failure to respond to major accidents in a timely manner.

Having considered the above and based on the due diligence work conducted by the Sole Sponsor, the Sole Sponsor concurred with the views of the Special Internal Control Consultant that the Group's internal control measures with respect to education and promotion of fire safety awareness for distributors/subdistributors and end customers, and response mechanism for major accidents that the Group currently has in place, if implemented on a continuous basis, are effective and adequate in reasonably minimizing re-occurrence of similar incidents.

DISTRIBUTOR ADMINISTRATIVE PENALTY DECISIONS

Background

PRC administrative agencies, including local branches of the SAMR, conduct periodic inspections of products in the market, including electric two-wheeled vehicles, and issue administrative penalty decisions (行政處罰) with respect to sales of non-conforming products from time to time. Based on publicly available information and confirmations of our distributors and their sub-distributors, we have noticed that a number of our distributors or their sub-distributors were subject to such administrative penalty decisions during the Track Record Period and up to the Latest Practicable Date.

Details of Administrative Penalty Decisions

During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, a total of 121 distributors and sub-distributors were subject to 21, 45, 23, eight and 36 administrative penalty decisions for 2020, 2021 and 2022 and the four months ended April 30, 2023 and since the end of the Track Record Period and up to the Latest Practicable Date, respectively. According to the relevant administrative penalty decisions, the administrative penalties imposed by relevant administrative authorities in mainland China primarily involved non-conformance with relevant product standards or product qualification certificates in terms of, among other aspects, maximum speed, overall vehicle weight or size, pedaling function, braking distance, tire width and short circuit protection. During the Track Record Period and up to the Latest Practicable Date and based on our best knowledge, the punitive measures imposed on relevant distributors and sub-distributors primarily included suspension of sales of non-conforming vehicles, fines (the aggregated amount was approximately RMB1.5 million), forfeiture of non-conforming vehicles (the aggregated number was 118) and forfeiture of profit of sales of non-conforming vehicles (the total amount was RMB35,582).

In 2020, 2021 and 2022 and the four months ended April 30, 2023, the amount of revenue attributable to distributors who, or distributors who had sub-distributors who, were subject to administrative penalty decisions amounted to RMB115.2 million, RMB311.1 million, RMB209.1 million and RMB38.7 million, respectively, representing 4.8%, 9.1%, 4.4% and 2.3% of our total revenue, respectively, for the same years. The relatively higher percentage in 2021 was primarily because certain sub-distributors that were subject to administrative penalty decisions were sub-distributors of distributors with larger business scale. For example, as of December 2021, one of our distributors covered 82 retail outlets among which only one was subject to administrative penalty in 2021.

Based on written confirmations by the relevant distributors and sub-distributors, all penalties imposed by relevant administrative authorities in mainland China on them during the Track Record Period, have been duly settled or complied with.

To our best knowledge after making all reasonable enquiry, we and our PRC Legal Advisors (based on the public searches conducted by them and the written confirmations by the Company) are not aware of any material accidents, complaints, safety issues, warranty claims and/or litigations against the Group arising from unauthorized alterations of our products by our distributors or their sub-distributors during the Track Record Period. Based on the foregoing and the due diligence work conducted by the Sole Sponsor, the Sole Sponsor is not aware of any material accidents, complaints, safety issues, warranty claims and/or litigations due to the unauthorized alterations of the Group's products by the Group's distributors or their sub-distributors during the Track Record Period.

Administrative Penalties Related to Alteration by Distributors

Based on confirmations of our distributors and sub-distributors which were the subject of administrative penalty decisions, and the relevant administrative penalty decisions and inspection reports, the majority of such administrative penalty decisions were due to unauthorized alterations of our products by distributors or their sub-distributors. Specifically, among all administrative penalties received by distributors and sub-distributors in 2020, 2021 and 2022 and the four months ended April 30, 2023 and since the end of the Track Record Period and up to the Latest Practicable Date, 14, 36, 21, three and 29, respectively, were due to unauthorized alterations of our products by distributors or their sub-distributors. Such alterations are strictly prohibited according to our standard distribution agreements and distributor management policy and we do not authorize distributors or sub-distributors to carry out such alterations in any case. We do not provide warranty services for any damages caused by man-made reasons, such as unauthorized alterations. According to confirmations of relevant distributors and sub-distributors, they made the alterations pursuant to one or more of the following requests from customers:

(i) to increase the maximum speed of the vehicle by tampering the speed limiting program on the controller or the battery;

(ii) to alter appearance of the vehicle to enhance aesthetic appeal; and

(iii) to install add-ons, such as additional batteries, bumpers, baskets, and trunks.

All administrative penalty decisions related to unauthorized alterations by distributors or sub-distributors were issued to the respective distributors or sub-distributors and we were not subject to any administrative penalties due to these administrative penalty decisions issued to distributors or sub-distributors in relation to unauthorized alterations. In addition, all relevant electric vehicles had qualified factory inspection reports when delivered to the distributors. Our Directors further confirm that the ownership and associated legal risks were transferred to the distributors upon the delivery of conforming products. None of our Directors or employees had knowledge of, authorized, acknowledged or consented to the alterations carried out by distributors (or their sub-distributors), and we were not the subject to the administrative penalties decisions which were addressed to our distributors (or their sub-distributors) due to their unauthorized alterations. Taking the aforementioned into account, our PRC Legal Advisors are of the view that the likelihood that we will be found legally responsible for such non-compliance incidents caused by such alterations is remote. However, in practice there could be incidents where we may fail to prove, in administrative, legal or other proceedings that alleged product non-conformity were due to unauthorized alterations or where consumers associate unauthorized alterations with poor product quality. In addition, in June 2022, relevant authorities in Beijing promulgated the Beijing Electric Bicycle Product Catalog Compilation Management Regulations, (《北京市電動自行車產品目錄編製管理規程》) which regulated the compilation of the Beijing Electric Bicycle Product Catalog (《北京市電動自行車產品目錄》). Since then and up to the Latest Practicable Date, there were four incidents where our product models were removed from this catalog, prohibiting further sales of such product models in Beijing, due to unauthorized alterations by distributors/sub-distributors. Revenue contribution of these models in Beijing amounted to nil, nil, RMB1.6 million and RMB3.3 million in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively, which was relatively insignificant as compared to the overall results of our Group during the Track Record Period. However, although the removal from the Beijing catalog was in fact caused by unauthorized alterations and we have imposed disciplinary and rectification measures against the relevant distributors/sub-distributors, we have observed negative publicity regarding our product quality due to such product models being removed from the Beijing catalog. For relevant risks, see "Risk Factors – Risks Relating to Our Business and Industry – Some of our distributors have been subject to penalties for making unauthorized alterations to our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects". Our Directors confirm that, to the best of their knowledge, there were no material accidents, complaints, safety issues, warranty claims and/or litigations against the Group arising from unauthorized alterations of our products during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm, as of the Latest Practicable Date, there are no ongoing investigations by any relevant regulatory authorities against our Group in relation to unauthorized alterations by distributors or sub-distributors.

Other Administrative Penalties Received by Distributors/Sub-distributors

In addition to administrative penalties due to alterations by distributors or sub-distributors, our distributors and sub-distributors were also subject to other administrative penalty decisions mainly due to (i) distributors or sub-distributors' sale of vehicles in their inventory that had been manufactured pursuant to old national standards before the implementation of the New National Standards when the New National Standards just came into effect, (ii) inconsistencies in the implementation and interpretation of the New National Standards during the transition period from the old national standards among different local government authorities, testing institutions and manufacturers, and (iii) other non-compliances of distributors/sub-distributors such as failure to display prices of products, improper installation of license plates, and making and use of noncomplying advertisement mainly due to the lack of sufficient understanding of the requirements of relevant laws and regulations, oversight of staff of retail outlets and lack of sufficient installation technique.

All administrative penalty decisions due to the reasons above other than unauthorized alterations by distributors or sub-distributors were issued to the respective distributors or sub-distributors. Our Directors confirmed that the ownership and associated legal risks were transferred to the distributors upon the delivery of conforming products. Among these administrative penalties, four distributors/sub-distributors were subject to administrative penalties for selling non-conforming products for which Shandong Luyuan was also issued four corresponding administrative penalty decisions for manufacturing these products. Save for these four cases, no penalties or investigations were imposed on our Group during the Track Record Period due to administrative penalties issued to distributors/sub-distributors for reasons other than unauthorized alterations. For details of the four administrative penalties received by Shandong Luyuan, see "– Legal Proceedings and Compliance – Compliance – Non-compliance with PRC Law." Taking the aforementioned into account, the interviews with or the written confirmations of competent authorities, and the public searches, our PRC Legal Advisors are of the view that the likelihood that we would be subject to administrative penalties (other than the four mentioned above) due to the administrative penalty decisions received by distributors or sub-distributors for reasons other than unauthorized alterations is remote. Having considered the foregoing together with the view of the PRC Legal Advisors, the Sole Sponsor concurred that the likelihood that the Company would be subject to administrative penalties (other than the four mentioned above) due to the administrative penalty decisions received by distributors or sub-distributors for reasons other than unauthorized alterations is remote.

Enhanced Remedial and Distributor Control Measures

We have implemented a number of measures and procedures with respect to unauthorized alteration of our vehicles by distributors to manage risks and prevent re-occurrence, which mainly include the following aspects:

- ***Preventing alteration through enhanced technologies.*** We have been actively engaged in developing and adopting new technologies and designs with respect to various aspects of our vehicles including maximum speed, voltage, the controller, batteries and saddles to make our vehicles less susceptible to alteration. For example, we use overvoltage protection and other anti-tampering designs to prevent manipulation of maximum speed limits through conventional methods such as repeatedly increasing and decreasing voltage. We also lock critical parts such as motors and controllers in covers with irregularly shaped bolts that if opened abruptly without our specially designed tools may cause damage to our vehicles. The battery compartments of our vehicles are also designed to exactly fit our batteries and leave no space for others to use other larger batteries. Following recommendations of the Special Internal Control Consultant, we have also enhanced our internal policies to systemically manage technical upgrades of our vehicles and require relevant personnel to continuously focus on anti-tampering technologies throughout the lifecycle of our products and research and development process.

- ***Increasing education and management of distributors.*** We have revised our distributor management policies and standard distribution agreement to specify, among other things, that distributors are strictly prohibited from altering our products without our authorization and are obliged to inspect and check if our products conform with their CCC registration when performing after-sales services. Pursuant to our standard distribution agreement, we are entitled to warn, fine or even terminate the distribution agreementswith distributors that engage in unauthorized alteration of our vehicles. During the Track Record Period, among those that have been subject to administrative penalties for unauthorized alterations we terminated two distributors or had distributors terminate 19 sub-distributors for unauthorized alterations. With respect to those that have not been terminated, we have (i) issued warnings and required rectifications to be made within one week; (ii) suspended incentives and other supports; (iii) required them to educate and improve management over their sub-distributors and employees (as applicable); (iv) downgraded distributors to sub-distributors; or (v) required shut down of relevant retail outlets. According to our PRC Legal Advisors, such arrangements with our distributors/sub-distributors do not violate applicable PRC laws. In addition, we also report cases of administrative penalties to all distributors and sub-distributors for warning and education purpose. We also enhance site visits over relevant outlets and conduct anonymous calls to confirm whether retail outlets make alterations for consumers. Upon the implementation of enhanced internal control measures described in this section, we have not noticed any recurrence of unauthorized alterations among these distributors or sub-distributors that have not been terminated. Going forward, we expect to more stringently enforce our right to terminate non-conforming distributors under our revised standard distribution agreement, especially when we notice repetitive violations. In addition, we have enhanced education of distributors through organizing regular or random trainings on requirements of and updates to national and industry standards and reiterate that unauthorized alterations of our products are strictly prohibited. Furthermore, compliance with such requirement has also been incorporated into our periodic assessments of distributor performance and we take into account historical compliance record regarding unauthorized alteration before renewing cooperation with existing distributors and when engaging new distributors.

- ***On-site inspection.*** We require our sales staff to inspect vehicles during their regular and random site visits to retail outlets of distributors and sub-distributors. We require them to examine a number of aspects of the vehicles and whether such aspects are consistent with the relevant product certificates, including the external appearance of the vehicle and the type and specification of batteries, and whether any additional accessories were installed such as basket, backrest, tool box and bumper and whether there are any traces of unauthorized alterations. They are also required to randomly select a few vehicles for test driving to determine whether default maximum speed limits were tampered with. They are also required to submit inspection reports in our internal system for further approval and confirmation by relevant managers. Results of on-site inspections may be considered in the assessments of distributors. We have also put in place management policies with respect to distributors that fail our random inspections. In addition to on-site inspection, we also conduct unannounced cold calls from time to time to check if distributors or sub-distributors will agree to make unauthorized alterations following consumers requests. Relevant personnel are also required to conduct desktop searches to ascertain if any new administrative penalties or measures are issued against our distributors or sub-distributors.

- ***Monitoring and report.*** We have established hotlines for distributors and the public in general to report to us in a timely manner if they notice any non-conforming vehicles. We also require distributors to promptly notify us when they face inspections by relevant administrative agencies. Failure to do so will result in termination of distributorship pursuant to our policies.

- ***Consumer education.*** We emphasize on consumer education in terms of rules and regulations of electric two-wheeled vehicles, their respective features and riding safety. For example, our distributors would remind consumers not to make modifications to products to ensure safety. They will also remind consumers to wear helmets and obey traffic rules. We also post materials through our official social media account that promote safe riding and emphasize the risks of unauthorized alterations. Our product instruction manuals also clearly state that users shall not alter our products themselves and shall be solely responsible for consequences of unauthorized alterations.

We have also implemented a number of measures and procedures with respect to product conformity. For details, see "– Risk Management and Internal Control – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents and Mitigate Risks of Fire or Major Accidents".

We have engaged the Special Internal Control Consultant to perform an independent review on the effectiveness and enforcement of our enhanced remedial and internal control measures with respect to unauthorized alterations by distributors. The Special Internal Control Consultant has recommended us to, among other things, adopt a number of measures, including those described above, to manage associated risks and prevent re-occurrence of unauthorized alterations by distributors, including (i) to review historical compliance record regarding unauthorized alteration before renewing cooperation with existing distributors and when engaging new distributors, and (ii) to further enhance distributor assessment systems including frequency of assessment, assessment standards and criteria and incentives and punishments. Our Special Internal Control Consultant conducted a follow-up review from July 25 to August 12, 2022 and from February 17 to February 28, 2023. During the follow-up review, the Special Internal Control Consultant reviewed our internal control policies, measures and procedures with respect to unauthorized alterations by distributors. The Special Internal Control Consultant also conducted unannounced on-site inspections and cold calls on certain sampled retail outlets as part of its follow-up review. Based on the follow-up review, the Special Internal Control Consultant did not have any further recommendation and is of the view that the internal control measures with respect to unauthorized alterations by distributors we currently have in place, if implemented on a continuous basis, are effective and adequate in reasonably minimizing re-occurrence of unauthorized alterations by distributors and its associated risks. Upon completion of the follow up review in February 2023, the Special Internal Control Consultant confirmed that the Group has implemented the enhanced internal control measures pursuant to their recommendations since the completion of its initial follow-up review in August, 2022.

In summary, (i) the revenue contributable to distributors who or sub-distributors who, were subject to administrative penalty decisions in relation to sales of our products only accounted for a small portion of our revenue during the Track Record Period (ii) during the Track Record Period and up to the Latest Practicable Date, only 23 distributors and 71 sub-distributors were subject to administrative penalties related to unauthorized alterations, while as of April 30, 2023 we had 1,314 distributors and over 9,600 sub-distributors in mainland China (iii) we have in place various distributor control measures, including those adopted pursuant to recommendations of the Special Internal Control Consultant as aforementioned, (iv) since the implementation of enhanced internal control measures in August 2022 and up to April 30, 2023, and to our best knowledge, only two distributors and five sub-distributors were subject to administrative penalty decisions in relation to unauthorized alterations, and (v) since the end of the Track Record Period and up to the Latest Practicable Date, and to our best knowledge, four distributors and 24 sub-distributors were subject to administrative penalty decisions in relation to unauthorized alterations.

The table below sets forth a breakdown of the number of distributors/sub-distributors which were subject to administrative penalties due to unauthorized alterations of our products after the implementation of enhanced internal control measures and up to the Latest Practicable Date by type of treatment by our Group.

	August 12, 2022 to April 30, 2023		May 1, 2023 to the Latest Practicable Date	
	Distributor	**Sub-distributor**	**Distributor**	**Sub-distributor**
Type of treatment				
Termination	–	4	2	24[3]
Downgrade to sub-distributor	1[1]	–	–	–
Closure of relevant retail outlet	1[1]	–	2[1]	–
Rectification	–	1[1][2]	–	–
Total number of relevant distributors/ sub-distributors	2	5	4	24

Note

(1) Relevant distributors/sub-distributors were required to carry out required rectifications which mainly include restoration of non-conforming products to original state, settlement of fines, submission of signed rectification reports and undertaking to compliant operations.

(2) We decided to continue our cooperation with this sub-distributor which is located in Ningbo, Zhejiang province, considering the fact that (a) this sub-distributor carried out the rectification measures as described in note (1) above proactively, i.e. undertaking such measures even before we made any requests, (b) as compared to the other sub-distributors in the same region, the performance of this sub-distributor was relatively better as shown in previous on-site evaluations, and (c) the violation was partly due to unintentional mishandling of vehicles by relevant staff.

(3) Among these 24 sub-distributors, one sub-distributor was subject to two administrative penalties due to unauthorized alterations during the period.

It is noted that unauthorized alterations still occasionally occurred after the implementation of our enhanced internal control measures as described above. These incidents mostly involved new sub-distributors who were still gaining familiarity with our strict policies against unauthorized alterations. Accordingly, despite these measures, due to the fast expansion of our distribution network, continuous enrollment of new distributors, sub-distributors and their staff, as well as constant requests from retail consumers for such unauthorized alterations, we believe occasional incidents may still occur in the future. Nevertheless, we still believe our enhanced internal control measures are effective and adequate in minimizing re-occurrences and associated risks. This is evidenced by the fact that after the implementation of these measures, we were able to timely identify and address many violations before they result in administrative penalties. For example, during the four months ended April 30, 2023, through increased on-site inspections, we identified 22 incidents of unauthorized alterations and required rectifications, before these incidents could have resulted in further violations of our policies or administrative penalties if unaddressed. Compared to before, since the implementation of our enhanced internal control measures, we have also witnessed a decrease in the percentage of distributors and sub-distributors involved in unauthorised alterations.

We place considerable emphasis on administrative penalties and unauthorized alterations that occur after implementing our enhanced internal control measures, including increasing frequency of unannounced cold calls, on-site inspections and training, and imposing harsher disciplinary actions on distributors and sub-distributors involved. With respect to the aforementioned 22 incidents, rectification measures included downgrading one distributor to sub-distributor and closing three retail outlets. All other incidents were rectified as required and no further issues were discovered during follow-up inspections. We are also committed to continuously enhancing our internal control system in response to the incidents that occurred after the implementation of our enhanced internal control measures and any incidents that may occur in the future. In particular, given that new incidents mostly involved new sub-distributors still gaining familiarity with our policies, we have started to increase the frequency of on-site inspections for new distributors and sub-distributors. We have also expanded training programs to ensure new distributors, sub-distributors and their staff thoroughly understand our strict policies against unauthorized alterations from the outset.

Based on the above, our Directors are of the view that, the unauthorized alterations of our vehicles by distributors and sub-distributors and the corresponding administrative penalties did not and will not have any material impact on our financial conditions and results of operations. Having considered the above and based on the due diligence steps conducted by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor for them to disagree with the views of the Special Internal Control Consultant and the Directors.

In light of administrative penalties received by distributors and sub-distributors for reasons other than unauthorized alterations and administrative penalties imposed on our Group, we also enhanced our internal control measures with respect to product quality control and compliance with product quality related rules and regulations and industry and national standards. For example, following recommendations of the Special Internal Control Consultant, we enhanced management over old product models designed in accordance with outdated national standards and remaining inventories including by keeping detailed records of discussions regarding the handling of old product models and remaining inventories to determine the effects of new national or industry standards on our products and whether any upgrade is needed. We have also implemented policies and guidelines that provide detailed procedures on internal review by relevant departments to help ensure that our existing and new products comply with the latest laws and regulations and national and industry standards and have designated personnel that update any changes in relevant laws, regulations and standards as well as local requirements from time to time. We also maintain communication with relevant authorities to ensure that our understandings of relevant laws, regulations and standards are in line with theirs. During the aforementioned follow-up review, the Special Internal Control Consultant reviewed our internal control policies, measures and procedures with respect to product quality. Based on the follow-up review, the Special Internal Control Consultant did not have any further recommendation and is of the view that the internal control measures with respect to product quality we currently have in place, if implemented on a continuous basis, are effective and adequate in reasonably minimizing re-occurrence of non-compliance incidents in relation to product quality.

LICENSES, PERMITS AND REGULATORY APPROVALS

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant government authorities that are material to our business operations in mainland China. Such licenses, permits and approvals remained in full effect, and no circumstances existed that would render their revocation or cancelation.

The following table sets forth the material licenses and permits currently held by us:

No.	Licenses/Permits	Holder	Issuing Authority	Issuance Date	Expiry Date
1.	Electric Motorcycle Production Enterprise Access (電動摩托車生產企業准入)	Zhejiang Luyuan, Shandong Luyuan, Guangxi Luyuan	Ministry of Industry and Information Technology	September 15, 2015 June 11, 2020 March 13, 2022	N/A
2.	Pollutant Discharge Permit (《排污許可證》)	Zhejiang Luyuan, Shandong Luyuan, Guangxi Luyuan	Jinhua Municipal Bureau of Ecology and Environment, Linyi Municipal Bureau of Administrative Examination and Approval Service, Guigang Municipal Bureau of Ecology and Environment	September 17, 2021 April 8, 2022 May 26, 2022	September 16, 2026 April 7, 2027 May 25, 2027

ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY MATTERS

Environmental Matters

We are subject to environmental laws and regulations in mainland China including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. For details, see "Regulatory Overview – Regulations Relating to Environmental Protection." We consider the protection of the environment to be important and have implemented measures in the operation of our business to promote compliance with applicable requirements under the environmental laws and regulations in mainland China. These measures include installation of new waste gas management equipment, establishment of wastewater treatment station and engaging qualified third-party waste management companies.

Improper disposal of batteries of electric two-wheeled vehicles may cause a problem to the environment. Recycling of batteries of used electric two-wheeled vehicles generally require specific licenses and are typically carried out by licensed battery manufacturers or recycling plants. As such, while we do not recycle batteries ourselves, we encourage the exchange of used vehicles for new electric two-wheeled vehicles. We have reached agreement with licensed battery manufacturers, pursuant to which they are responsible for recycling used lead-acid batteries of electric two-wheeled vehicles while we agree to assist in the collection and storage of used lead-acid batteries. In practice, given the relatively high scrap value of lead-acid batteries and the large number of qualified recyclers that provide localized recycling services for lead-acid batteries, distributors tend to engage recyclers on their own to recycle used lead-acid batteries. We guide distributors to encourage consumers to exchange used batteries for new ones, require them to properly manage the transportation, storage and disposal of used batteries and require them to check qualifications of recyclers they engage. We also have a hotline in place for distributors if they have any questions regarding battery recycling. In addition, we plan to enter into binding agreements with distributors which will require them to properly recycle and dispose of hazardous materials. Going forward, we also plan to take experience from the new energy vehicle industry regarding recycling lithium-ion batteries and have already initiated discussions with professional lithium-ion battery recyclers in this regard.

We also recognize the vital role that our supply chain partners play in environmental protection and focus on our approach to battery procurement, an area with large carbon reduction potential. We have established guidelines under our Environmental Protection and Safety Proposal distributed to suppliers that specify our ESG policies and encourage them to adopt green practices in various aspects of supplier business operations including procurement, production, waste management, storage and transportation. In addition, we have instituted a green procurement management policy, incorporating ESG-related indicators into our supplier evaluation process, further ensuring that our procurement practices align with our sustainability goals. Our procurement practices favor suppliers that demonstrate sustainable battery manufacturing practices. These practices include compliant waste treatment, utilization of environmentally friendly materials and recycled content, and dedication to improving energy use efficiency, such as optimizing energy structure by decreasing reliance on fossil energy in battery production. We also endorse the efforts our suppliers make toward promoting low-carbon technologies and favor those who offer high-energy, efficient batteries with extended lifespans that help reduce the high turnover and waste often associated with traditional batteries. In testament to our ongoing commitment, during the Track Record Period, we increased our procurement of high-energy and graphene batteries, which are known for their relatively longer lifespans compared to traditional batteries. Going forward, we intend to further standardize our battery procurement practices under our green procurement management policy, including but not limited to implementing targeted training programs for our procurement team to deepen their understanding of our green procurement principles and best practices for engaging with suppliers who prioritize environmental responsibility. We believe these trainings will ensure our team can effectively assess, select, and build relationships with suppliers who meet our sustainability expectations.

No administrative sanctions or penalties have been imposed upon us for the violation of environmental laws or regulations during the Track Record Period. Our cost for compliance with applicable environmental rules and regulations was RMB8.1 million, RMB11.5 million, RMB19.3 million and 2.8 million in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. The increase in 2022 was primarily due to procurement of additional environmental protection related equipment in relation to the commencement of our Guangxi Plant and the new factory at our Zhejiang Plant. We estimate that our annual cost of compliance going forward will be consistent with our scale of operation.

Occupational Health and Safety

Our business operations in mainland China are subject to various laws and regulations relating to occupational health and work safety. For details, see "Regulatory Overview – Regulations Relating to Employment and Social Welfare."

In an effort to ensure the health and safety of our employees and to ensure compliance with applicable laws and regulations, we have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, operation safety, warehouse safety, work-related injuries and emergency and evacuation procedures. The occupational health and safety management systems of our Zhejiang Plant and Shandong Plant are ISO 45001 certified. We provide suitable and necessary protection equipment to our employees, i.e., protective suits, gloves and masks to ensure their safety during work. In addition, we provide our employees with regular occupational safety education and training sessions to enhance their awareness of safety issues. Furthermore, we inspect our production facilities from time to time in order to ensure that such facilities are safe for use.

During the COVID-19 pandemic, we endeavored to provide a safe work environment including improving ventilation, procurement of epidemic prevention materials and release of work-from-home plan and work resumption plan.

As of the Latest Practicable Date, we had complied with applicable laws and regulations on occupational health and work safety in all material respects. During the Track Record Period, we did not record any accidents that had a material impact on our business or operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance

We are committed to promoting corporate social responsibility and sustainable development as well as integrating these principles into all major aspects of our business operations. We consider corporate social responsibility as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders.

Our Board has the collective and overall responsibility for overseeing, evaluating, determining and addressing our ESG-related risks, and establishing, adopting and reviewing the ESG strategy, policy and target of our Group. Our Board may assess or engage independent third parties to evaluate the ESG-related risks and review our existing strategy, targets, and internal controls. Necessary improvement will then be implemented to mitigate the risks. In terms of environmental protection, we have coordinated efforts across departments including our procurement department, production department and R&D department that execute our internal environmental protection and procedures and manage environmental and climate-related risks, in particular, help reduce/minimize the use of hazardous materials, energy, and other natural resources, and to reduce/minimize the generation of waste. In addition, our labor union is responsible for coordinating social activities such as charity donations and community volunteering.

We have in place a set of internal policies with respect to ESG issues. For environmental matters, we have adopted policies which cover, among other things, (i) reduction of greenhouse gas emissions, (ii) use of environmentally friendly resources and materials, (iii) treatment of waste gas, sewage and solid waste and (iv) conservation of energy. For social matters, we have established policies which cover, among other things, (i) production safety, (ii) product safety and quality, (iii) employee health, promotion, compensation, benefits and training and (iv) employee complaint handling and relevant privacy protection measures. We conduct periodic reviews to monitor our compliance with the above policies.

We also place a high emphasis on suppliers' ESG standards. Under our green procurement management policy, when selecting suppliers, we assess their ESG performance by checking their quality certifications and mechanisms in place related to environment, occupational health and safety, such as environmental management system certifications, pollutant discharge permits, special work permits, emergency responses, etc. When signing agreements with our suppliers, we provide them Environmental Protection and Safety Proposal specifying our ESG policies and key initiatives on environmental protection, occupational health and safety in a collaborative effort to promote sustainable best practices. For further details, see "– Environmental, Social, Health and Safety Matters – Environmental Matters" above.

Upon Listing, our Directors confirm that they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects. To this end, we undertake to establish an ESG committee within one year after the Listing to assist our Board in overseeing ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies and prepare the ESG report. In addition, we also plan to establish an ESG task force team to support our Board and the ESG committee in implementing ESG policies, targets and strategies, conducting materiality assessments of environmental, social and climate-related risks, assessing corresponding responses, collecting ESG data for the ESG report, and continuously monitoring the implementation and effectiveness of measures adopted to address our ESG-related risks and responsibilities. The ESG committee and the ESG task force team are expected to report to our Board periodically on the ESG performance of our Group, the effectiveness of our ESG systems and recommendations, if any.

Potential Impact of ESG-related Risks and Responses

We place a heightened focus on environmental, social and climate-related matters and their impact on our business operations and financial performance. We have identified that the environmental, social and climate-related matters that may present us with various risks and opportunities include (i) risks related to the physical impacts of climate change and (ii) risks related to the transition to a lower-carbon economy.

(i) Physical risks from climate change

In recent years, climate change has led to more frequent extreme weather which has brought forward physical risks with financial implication. For example, typhoons and floods caused by heavy rains as well as other natural disasters may have a negative impact on normal production activities and supply chain stability, causing production and delivery delays. We have formulated emergency plans for extreme weather, combining weather forecasts and other information to ensure safety at our production plants, offices and retail outlets. We also continuously monitor our supply chain and assess potential or alternative suppliers to mitigate damages from such identified physical risks.

(ii) Transition risks to a lower-carbon economy

During the transition to a lower-carbon economy, extensive policy, legal, technology and market changes may take place to address mitigation and adaption requirement related to climate change. Transition risks related to policy and legal changes include any risk that the environmental laws and regulations in the PRC may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with the more stringent rules. In response, we arrange trainings for relevant employees to keep them abreast of the development and dynamics of changing policies and regulations and help us plan in advance for compliance.

In addition, the market may push for low-carbon products which will force companies to develop more low-carbon technologies and products and increase related research and development expenses. We continue to improve the performance of our electric two-wheeled vehicles and focus on research and development of products with lower energy consumption, enhanced durability and longer battery life; for example, our in-house developed liquid-cooled motor technology increases the motor's working efficiency to over 90%, and thus achieves long driving range for our products and significantly improves the service life of our vehicles and the batteries.

Furthermore, increasing prices of traditional energy may also impose higher costs on production and result in challenges for companies in accessing renewable energy. We been actively advocating photovoltaic power generation and have equipped the rooftops of our Zhejiang Plant and Guangxi Plant with relevant technologies and equipment which allow them to generate power for their operations and even send surplus energy back to the electric grid.

(iii) Opportunities

Despite the above-mentioned physical and transition risks, we also believe that climate change may bring about opportunities to our business operations. The PRC government announced its dual objectives of "carbon emission peak" (碳達峰) and "carbon neutrality" (碳中和) at the seventy-fifth United Nations General Assembly. We intend to take advantage of such dual objectives, other favorable policies and consumers' growing awareness of carbon emissions and climate matters, actively promote the reduction of our carbon footprint throughout the entire life cycle of our products and establish a positive brand image.

Environmental Protection

We recognize the importance of environmental protection and sustainability, and our commitment to environmental protection and sustainability was recognized by the fact that we were recognized as Zhejiang Province Clean Production Achievement Enterprise (浙江省清潔生產階段性成果企業) in 2016 by the Zhejiang Economic and Information Commission (浙江省經濟和信息化委員會) and Zhejiang Environmental Protection Department (浙江省環境保護廳) and Zhejiang Water-saving Enterprise (浙江節水型企業) in 2019 by the Zhejiang Economic and Information Commission and Zhejiang Housing and Urban-Rural Development Department (浙江省住房和城鄉建設廳).

In line with our vision for sustainable development, we oversee our environmental protection performance in aspects such as pollutant management and the use of electricity and water.

Pollutant Management

- *Management of Sewage*. We generate sewage during the production process. We have installed sewage treatment systems at our production facilities to monitor and reduce the discharge of sewage. Water used in our paint spraying process can be diluted with fresh water and recycled until reaching a certain concentration level and needs to be discharged. We monitor our sewage discharge levels on a periodic basis. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our sewage discharge levels were 67,402 tons, 64,647 tons, 64,757 tons and 27,878 tons, respectively, and such sewage was properly treated prior to discharge.

- *Management of Solid Waste***.** We generate solid waste (including certain hazardous substances) during our production processes, including sludge from surface treatment, waste paint residue, spent activated carbon and used filter cotton. We adopt various measures to minimize the environmental impact including, among others, (i) we optimize product designs, parts usage, and production techniques to minimize hazardous materials consumption and waste generation. This includes using alternative materials when possible, reusing materials where feasible, and improving application efficiency; (ii) we properly store different hazardous wastes separately and in accordance with the "Pollution Control Standards for Hazardous Wastes Storage" GB18597-2023; (iii) we look for opportunities to recycle and repurpose any solid or hazardous waste to keep materials in productive use, such as reusing undamaged containers; and (iv) we evaluate key production processes to remove unnecessary steps, tighten control points and reduce excess components with an aim to minimize waste from inefficiency, excess inventory and spoilage etc. We engage qualified third-party waste treatment companies to collect industrial hazardous waste and ordinary waste. Domestic solid waste is collected by the city sanitation department. According to our arrangements with qualified waste treatment companies, we discharged approximately 435 tons, 386 tons, 615 tons and 191 tons in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively.

- *Management of Waste Gas*. We generate waste gas during the production process and have invested in upgrading our waste gas equipment and technologies to help test the level of our waste gas emission and ensure that it is within the permitted range as stipulated by relevant laws and regulations. On the one hand, our Guangxi Plant and Shandong Plant adopted activated carbon adsorption and desorption technology to achieve qualified emission. On the other hand, our Zhejiang Plant adopted a rotary adsorption technology to achieve qualified emission.

Resource Consumption

- *Electricity consumption.* We have been actively advocating photovoltaic power generation and have equipped the rooftops of our Zhejiang Plant and Guangxi Plant with relevant technologies and equipment which allow them to generate power for their operations and even send surplus energy back to the electric grid. During the Track Record Period, such photovoltaic power generation roofs generated a total of 9.4 million kWh of electricity. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our electricity consumption amounted to 16,174.2 MWh, 20,941.6 MWh, 26,765.3 MWh and 10,009.1 MWh, respectively, representing 11.0, 10.7, 11.0 and 10.8 kWh per vehicle sold for the same years, respectively.

- *Water consumption*. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our water consumption amounted to 193,436 tons, 236,188 tons, 353,139 tons and 140,639 tons, respectively, representing 0.13, 0.12, 0.15 and 0.15 ton per vehicle sold for the same years, respectively. Our water saving measures mainly focus on recycling water used in the painting process. For example, our wastewater treatment station reduces the consumption of fresh water during the painting process by leveraging a reclaimed water reuse system and a paint mist capture system.

- *Packaging materials*. Our packaging materials primarily include cardboard boxes, wooden frames, PE packaging bags, bubble wrap and PE foam. When delivering products to distributors, for those that are located closer to our production bases, we only use PE packaging bags, bubble wrap and PE foam to reduce the amount of cardboard boxes and wooden frames. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our packaging materials amounted to 4,852.2 tons, 5,738.5 tons, 6,568.9 tons and 2,551.6 tons, respectively, representing approximately 2.0, 1.7 and 1.6 and 2.8 kg per vehicle sold for the same years, respectively.

Other Social Matters

We have been and will continue to be highly committed to sustainable corporate responsibility projects through various charitable endeavors for different social causes. We have a comprehensive corporate-level charity plan. During the Track Record Period, we donated approximately RMB2.9 million in total for charitable purposes. For example, from time to time we make donations to Luyuan Orphan Care and Growth Fund (綠源關愛孤兒成長基金) which we established in 2009 and other charities. We also leverage our expertise in production and manufacturing and provide training to local students and residents in collaboration with schools to help alleviate local employment pressure.

During the outbreak of COVID-19, we proactively participated in various activities and campaigns, including donating epidemic prevention supplies to hospitals and relevant organizations in various locations such as Shanghai and Wuhan to help combat the spread of COVID-19.

We focus on embracing diversity within our Group and have adopted a board diversity policy which takes a wide variety of factors into account including professional experience, knowledge, gender, age and cultural background. We also promote diversity and equal treatment of all our employees and continuously invest in the training and promotion of career development of our employees. We have established a comprehensive training and development system covering corporate culture, employee rights and responsibilities, job performance, technical skills and safety management. We care about both physical and mental health of our employees and organize body check-ups and organize various entertainment activities and promote work-life balance.

You should read the following discussion and analysis on our financial condition and results of operations together with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

We are an electric two-wheeled vehicle provider in mainland China, focusing on the design, research and development, manufacturing and selling of electric two-wheeled vehicles. According to Frost & Sullivan, we were the fifth largest manufacturer of electric two-wheeled vehicles in mainland China in terms of total revenue in 2022, with a market share of 4.2%.

We achieved strong growth during the Track Record Period. Our revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022, representing a CAGR of 41.8%. Our revenue increased by 42.1% from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the same period in 2023. Our net profit increased from RMB40.3 million in 2020 to RMB118.0 million in 2022, representing a CAGR of 71.2%. Our net profit increased by 149.6% from RMB16.4 million for the four months ended April 30, 2022 to RMB41.0 million for the same period in 2023.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations were mainly affected and are expected to continue to be affected by the following factors:

Consumer Demand and Changing Consumer Base

Consumer demand is and will continue to be one of the main drivers of the electric two-wheeled vehicle market in mainland China, which is increasingly affected by the following non-exhaustive factors in recent years: the PRC government has implemented a series of measures to support or regulate the healthy and rapid development of green mobility with the electric two-wheeled vehicle industry as an indispensable component to reduce carbon dioxide emissions and achieve carbon neutrality; the urban population has increased rapidly nationwide, which drives the urban area to quickly expand while the construction of public transportation infrastructure especially the metro system is slower than the urbanization process. Therefore, people resort to more effective and convenient mobility including the electric two-wheeled vehicles; urbanization process and increasing household income drive the prosperity of urban retailing and online shopping, which generate enormous demand for on-demand last-mile delivery. In this segment, electric two-wheeled vehicles are the most used transportation tools due to its efficiency and flexibility. Consumer demand largely depends on people's lifestyles which are shaped by the pace of urbanization and regulatory support. Stable or increasing source of demand will ultimately affect the results of our operations.

The consumer base is prone to change subject to the change of the age structure in Chinese society. The results of our operations are therefore dependent upon our ability to cater to newly emerging customer groups while retaining the existing ones. Both technical upgrade and appearance refinement are vital in any improvement of our existing products or development of new products.

Our Ability to Effectively Maintain our Technical Edge

Our results of operations partly depend on our ability to maintain our technical edge, keep up with the technological upgrade of the industry and meet the demands of our anticipated growth. With the increasingly fierce competition in the two-wheeled electric vehicle industry, technological development has been playing an increasingly important role in the two-wheeled electric vehicle industry, requiring players in the industry to make extensive technology layouts in various areas such as infotainment, more efficient battery management systems, lithium-ion battery and more advanced electric motors to realize better performance on driving mileage, safety and power saving, and to establish first-mover advantages. Therefore, our future growth is affected by the breadth and depth of our industry insights, our technology capabilities to further upgrade our products, and our ability to timely adapt to evolving industry trends and preferences of consumers. We have continuously invested in research and development to maintain and promote our technological capabilities. We believe our invests in relevant technologies will solidify our market position and drive our growth in the long run, but will require upfront capital investments and expenditures in the short run, which would affect our operating costs and expenses.

Advertising and Marketing Strategy

We rely on our advertising and marketing efforts to promote our products and to create brand awareness amongst our customers. Our selling and marketing expenses constituted approximately 5.1%, 5.6%, 5.4%, 4.6% and 6.0% of our total revenue for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. Our intensive efforts in advertising and marketing included, but not limited to the following:

- we have also been proactively engaging in marketing activities and increasing our promotional efforts to enhance our brand awareness to attract young consumers;

- we sponsored a number of variety shows to more effectively reach the young generation and rejuvenate our brand image;

- we actively run our social media accounts on major social media platforms to interact with customers, addressing their questions while promoting our vehicles; and

- we cooperate with internet celebrities to promote our vehicles through live streaming or posting engaging content on major social media platforms, to achieve broad exposure to online consumers. These internet celebrities typically test ride our vehicles and share their riding experience with their audience and followers.

We also work closely with our distributors to ensure that our brand culture is reflected at the retail level through providing guidance to distributors in brand promotion and efficient retail management. We intend to continue to devote significant resources on promotional efforts and raise our brand profile through multiple advertising channels and platforms. We expect our target consumers will become increasingly brand conscious as the electric vehicles market in mainland China matures.

Pricing Strategy

The pricing of our products is affected by the competitive landscape of the electric two-wheeled vehicle industry in mainland China. We expect the competition we face in the industry in mainland China will further intensify. As a result, our ability to maintain or increase the selling price of our products will largely depend on our ability to compete effectively by reacting rapidly to market trends and differentiating our products through strong brand recognition, product innovation, our distributors' network and our extensive product portfolio. Factors that affect pricing include our advertising and marketing strategies and our ability to differentiate our products from those of our competitors and competitors' pricing and other strategies. Our pricing guide remains relatively stable, which is updated each month. We also hold distributors' meetings each year to guide them about the specific pricing strategy.

Cost of Raw Materials

The raw materials we use in our manufacturing process mainly include batteries, motors, frames and iron spare parts, plastic parts, shock absorbers and tires. Cost of raw materials and consumables used represented 91.8%, 91.6%, 92.0%, 91.6% and 92.0% of our cost of sales for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. Our ability to source a steady supply of raw materials at reasonable prices is one of the key factors affecting our operations.

We meet our supply requirements for raw materials by purchasing directly from suppliers at market prices. The majority of our principal raw material suppliers have been supplying raw materials to us for multiple years. We believe that we are able to obtain high quality raw materials at reasonable and competitive prices as a result of our long-term relationships with our suppliers.

Our principal raw materials are subject to price volatility caused by external conditions, such as commodity price fluctuations. The prices we pay are also influenced by factors such as the location of our production facilities, fluctuations in our seasonal production, availability of alternative suppliers and substitute materials and the number of products we manufacture at a particular time.

Seasonality

Our financial performance and results of operations are subject to seasonal fluctuations. We typically experienced higher sales in March of each year, primarily in connection with distributors' restocking demands after the Spring Festival holiday. Sales are also relatively higher in July, August and September of each year which are months that straddle summer holidays and school opening seasons when students and parents typically have strong transportation mobility needs. Sales of our products can also fluctuate throughout the year for other reasons, including the timing of new product launches and the timing of promotional campaigns.

IMPACT OF THE COVID-19 PANDEMIC

Since December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response to the COVID-19 outbreak, we took a series of measures in order to ensure the health of our employees and the hygiene of the working environment, including, among others, arranging alternative working-from-home arrangements for employees who are not required to work onsite, as well as health screening procedures to track the health status of our employees and visitors to our premises. During the peak of the COVID-19 pandemic in early 2020, our business was affected to some extent by the nation-wide pandemic prevention and control requirements and market demand. However, we took immediately corrective measures to reduce the adverse effects of the COVID-19 pandemic. For instance, we ensured no interruption of our production by arranging sufficient manpower on site and promptly applying for transportation permits from local governments. As a result, our business has not encountered any stoppage due to the outbreak of COVID-19. Moreover, as the COVID-19 outbreak was quickly brought under control in mainland China, our business was not materially affected.

In 2022, with the outbreak of Omicron variant, the logistics in some regions in mainland China were affected to various degrees. However, as we had made response plans and stocked inventories in advance, our business did not encounter any disruption, nor was our product delivery substantively affected. Since December 2022, the PRC government has relaxed the national COVID-19 prevention measures, such as releasing measures to accelerate the economic recovery and resume normal operations of the society. Accordingly, our Directors believe that the outbreak of the COVID-19 pandemic did not and will not have a material adverse effect on our Group's business, financial condition or results of operations.

BASIS OF PRESENTATION

We have prepared our consolidated financial statements in accordance with HKFRS issued by the HKICPA. We underwent Reorganization as described in "History, Reorganization and Corporate Structure – Reorganization", pursuant to which, the Company became the holding company of the companies now comprising the Group on April 9, 2010. The companies now comprising our Group were under the common control of our Controlling Shareholders before and after our Reorganization. Accordingly, our consolidated financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of our Controlling Shareholders, where this is a shorter period. The consolidated balance sheets of our Group as of December 31, 2020, 2021 and 2022 and April 30, 2023 have been prepared to present the assets and liabilities of our subsidiaries using the existing book values from our Controlling Shareholders' perspective. No adjustments have been made to reflect fair values, or recognize any new assets or liabilities as a result of our Reorganization.

Equity interests in subsidiaries held by parties other than our Controlling Shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting. All intra-group transactions and balances have been eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our significant accounting policies, judgments and estimates are set forth in detail in note 2 and 4 to the Accountant's Report included in Appendix I to this prospectus. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Set out below are the significant accounting policies, which we believe are important for an understanding of our financial condition and results of operations.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to consolidated income statement during the Track Record Period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20-30 years
– Motor vehicles	2-5 years
– Machinery and equipment	3-12 years
– Office equipment	3-5 years
– Decoration	2-5 years
– Leasehold improvement	shorter of useful life or lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

Construction-in-progress is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

Intangible Assets

Intangible assets include software and patent.

Separately acquired software and patent are shown at historical cost. These assets have finite useful lives, and are measured at costs less accumulated amortization. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

– Software 3-5 years

Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Investment and Other Financial Assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Revenue Recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group identified several performance obligations which are to sell products to the Group's distributors or directly to customers, to provide services to distributors.

Sales of products

The Group generates revenue from sales of electric bicycles, electric mopeds, electric motorcycles, batteries and electric two-wheeled vehicle parts through domestic and overseas distributors, corporate and institutional customers, third-party e-commerce platforms or self-operated online stores. The sales of products are recognized at a point in time, usually upon the acceptance by the customers.

When the Group sells its products through third-party e-commerce platforms, corporate and institutional customers, domestic and overseas distributors, they are the customers of the Group as they obtain control of the products before selling to end customers. Domestic and overseas distributors are generally required to pay advance before the acceptance of the products. A contract liability is recognized for the advance payment. Revenue from sales of products is recognized at a point in time when control of the products is transferred, usually upon the acceptance at the Group's warehouse by domestic distributors or the named place by third-party e-commerce platforms and corporate and institutional customers. Revenue from sales of products through overseas distributors is recognized when the products pass the ship's rail at the named port of shipment with free on board term.

When the Group sells its products to individual customers through its self-operated online stores, either established by the Group or established on third-party e-commerce platforms, revenue is recognized at a point in time when the products are accepted by the individual customers. Commission paid to third-party commerce platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

The Group also provides sales volume rebate to domestic distributors. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate the provision for the volume rebate, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Group also provides reimbursement for store decoration to domestic distributors, which are in substance payment to customer. The reimbursement without committed sales volume is directly deducted from revenue, and the reimbursement with committed sales volume is capitalized as prepayment to domestic distributors and subsequently deducted from revenue which consistent with the method to recognize revenue from sales of products.

Sales returns are estimated based on historical experiences, which were insignificant for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023.

Provision of services

The Group generates revenue from training service and other services. Revenue from training service and other services are recognized when the services are rendered, which is based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Loyalty program

The Group operates a loyalty program where domestic distributors accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognized at the time of sale. Revenue is recognized when the points are redeemed.

Sales of goods to customer under a finance lease as a manufacturer lessor

The Group sells goods to certain customer under a finance lease as a manufacturer lessor. A manufacturer lessor is a lessor that manufactures the leased assets as part of its dealing activities. A manufacturer lessor that enters into a finance lease with a customer recognizes selling profit or loss in income as follows:

- Revenue is the fair value of the underlying assets or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest.

- Cost of sale is the cost, or carrying amount (if different), of the underlying asset, less the present value of the unguaranteed residual value.

- Selling profit or loss is the difference between revenue and the cost of sale, recognized in accordance with an entity's policy for outright sales to which HKFRS 15 applies.

Payment to distributors

Consideration payable to a customer should be deducted from revenue unless the payment to a customer is in exchange for a distinct good or service that the customer transfer to the entity. The Group paying for the store decoration fee to decoration companies for distributors is, in substance, a payment on behalf of customer. As the Group does not receive any distinct goods or services from distributors, the payment should be deducted from revenue.

When distributors have committed a minimum sales volume which in turn would request a minimum purchase amount from the Group, the payment is capitalized as "prepayment to distributors" and deducted from revenue on a systematic basis that is consistent with the transfer to the distributors of the goods. When distributors have not committed a minimum sales volume, the payment is deducted from revenue directly.

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth our consolidated income statements for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Revenue	2,378,332	100.0	3,417,687	100.0	4,783,023	100.0	1,161,961	100.0	1,651,424	100.0
Cost of Sales	(2,092,108)	(88.0)	(3,030,574)	(88.7)	(4,221,691)	(88.3)	(1,057,487)	(91.0)	(1,460,964)	(88.5)
Gross Profit	**286,224**	**12.0**	**387,113**	**11.3**	**561,332**	**11.7**	**104,474**	**9.0**	**190,460**	**11.5**
Selling and marketing costs	(121,423)	(5.1)	(192,388)	(5.6)	(259,567)	(5.4)	(53,188)	(4.6)	(98,845)	(6.0)
Administrative expenses	(61,420)	(2.6)	(64,444)	(1.9)	(89,059)	(1.9)	(26,665)	(2.3)	(27,031)	(1.6)
Research and development costs	(83,521)	(3.5)	(95,826)	(2.8)	(150,498)	(3.1)	(29,021)	(2.5)	(41,858)	(2.5)
(Provision)/reversal of impairment on financial assets	(6,174)	(0.3)	908	0.0	(1,650)	(0.0)	(1,368)	(0.1)	1,772	0.1
Other income	29,269	1.2	26,816	0.8	37,750	0.8	12,079	1.0	17,964	1.1
Other expense	(5,644)	(0.2)	(4,883)	(0.1)	(6,093)	(0.1)	(1,355)	(0.1)	(739)	(0.0)
Other gains – net	6,201	0.3	11,222	0.3	33,567	0.7	12,647	1.1	3,472	0.2
Operating profit	**43,512**	**1.8**	**68,518**	**2.0**	**125,782**	**2.6**	**17,603**	**1.5**	**45,195**	**2.7**
Finance income	6,739	0.3	8,142	0.2	21,038	0.4	1,639	0.1	5,317	0.3
Finance costs	(6,911)	(0.3)	(15,383)	(0.5)	(24,773)	(0.5)	(9,596)	(0.8)	(11,561)	(0.7)
Finance costs – net	**(172)**	**0.0**	**(7,241)**	**(0.2)**	**(3,735)**	**(0.1)**	**(7,957)**	**(0.7)**	**(6,244)**	**(0.4)**
Share of results of associates	(23)	(0.0)	314	0.0	201	0.0	9	0.0	136	0.0
Profit before income tax	**43,317**	**1.8**	**61,591**	**1.8**	**122,248**	**2.6**	**9,655**	**0.8**	**39,087**	**2.4**
Income tax (expense)/credit	(3,036)	(0.1)	(2,331)	(0.1)	(4,218)	(0.1)	6,786	0.6	1,953	0.1
Profit for the year/period	**40,281**	**1.7**	**59,260**	**1.7**	**118,030**	**2.5**	**16,441**	**1.4**	**41,040**	**2.5**
Attributable to:										
Equity holders of the Company	40,293	1.7	59,260	1.7	118,030	2.5	16,441	1.4	41,040	2.5
Non-controlling interests	(12)	(0.0)	–	–	–	–	–	–	–	–
	40,281	**1.7**	**59,260**	**1.7**	**118,030**	**2.5**	**16,441**	**1.4**	**41,040**	**2.5**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived substantially all of our revenue from sales of our electric two-wheeled vehicles as well as batteries and spare parts. Our electric two-wheeled vehicles comprise electric bicycles, electric mopeds, electric motorcycles and other special function vehicles, such as electric sightseeing vehicles. We also provide training and other services to our distributors and collect service fees from them. Over 90% of our revenue and operating profit were generated in mainland China and over 90% of our non-current assets and liabilities were located in mainland China.

The following table sets forth a breakdown of our revenue by type of products or services for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Types of products										
Electric bicycles	1,010,096	42.5	1,423,625	41.7	2,232,086	46.7	450,089	38.7	804,532	48.7
Electric mopeds	722,892	30.4	495,043	14.5	258,177	5.4	104,385	9.0	27,241	1.6
Electric motorcycles	244,920	10.3	686,672	20.1	953,887	19.9	265,019	22.8	377,373	22.9
Batteries[1]	306,366	12.9	606,128	17.7	1,052,365	22.0	257,859	22.2	363,116	22.0
Electric two-wheeled vehicle parts[2]	60,220	2.5	147,793	4.3	226,164	4.7	67,952	5.9	57,574	3.5
Others	11,430	0.5	5,446	0.2	5,090	0.1	318	0.0	61	0.0
Subtotal	2,355,924	99.1	3,364,707	98.5	4,727,769	98.8	1,145,622	98.6	1,629,897	98.7
Types of services										
Training services	10,421	0.4	28,081	0.8	36,765	0.8	13,049	1.1	14,425	0.9
Others	11,987	0.5	24,899	0.7	18,489	0.4	3,290	0.3	7,102	0.4
Subtotal	22,408	0.9	52,980	1.5	55,254	1.2	16,339	1.4	21,527	1.3
Total	**2,378,332**	**100.0**	**3,417,687**	**100.0**	**4,783,023**	**100.0**	**1,161,961**	**100.0**	**1,651,424**	**100.0**

Notes:

1. Representing batteries sold together with our electric two-wheeled vehicles.

2. Representing vehicle parts, such as tires and batteries, sold separately to distributors for their provision of after-sales services to end customers.

Our revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022, representing a CAGR of 41.8%. Our revenue increased by 42.1% from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the same period in 2023. Revenue from electric bicycles increased from RMB1,010.1 million in 2020 to RMB2,232.1 million in 2022 at a CAGR of 48.7%. Revenue from electric bicycles increased by 78.7% from RMB450.1 million for the four months ended April 30, 2022 to RMB804.5 million for the same period in 2023. Revenue from electric motorcycles increased from RMB244.9 million in 2020 to RMB953.9 million in 2022 at a CAGR of 97.3%. Revenue from electric motorcycles increased by 42.4% from RMB265.0 million for the four months ended April 30, 2022 to RMB377.4 million for the same period in 2023. Such increases were primarily due to the significant increase in the sales volume of both our electric bicycles and electric motorcycles during the Track Record Period. Revenue from electric mopeds decreased from RMB722.9 million in 2020 to RMB258.2 million in 2022. Revenue from electric mopeds decreased from RMB104.4 million for the four months ended April 30, 2022 to RMB27.2 million for the same period in 2023. Such decreases were primarily due to changes in consumer preferences caused by the implementation of the New National Standards, which imposed new restrictions on the specifications of electric mopeds. Under the New National Standards, electric mopeds must not be designed to carry people and a valid license is required to ride an electric moped. These restrictions make electric mopeds a less favorable choice for consumers than other types of electric two-wheeled vehicles, leading to a decline in customer demand. We therefore adjusted our product mix by promoting the production and sales of electric bicycles and electric motorcycles. Electric bicycles, being the most popular type of electric two-wheeled vehicles for consumers and our main focus, accounted for the largest proportion of our revenue during the Track Record Period.

In addition, sales of batteries are also an important source of revenue of the Group. Our products sold to end customers are usually equipped with our batteries. Revenue from sales of batteries increased from RMB306.4 million in 2020 to RMB1,052.4 million in 2022 at a CAGR of 85.3%. Revenue from sales of batteries increased by 40.8% from RMB257.9 million for the four months ended April 30, 2022 to RMB363.1 million for the same period in 2023. Such increases were primarily due to (i) the increase in the sales volume of electric bicycles and electric motorcycles, especially to end customers, and (ii) an increase in the market price of batteries in 2020, 2021 and 2022.

We sold our products primarily through offline distributors. Revenue from offline channels increased from RMB1,664.8 million in 2020 to RMB4,245.0 million in 2022 at a CAGR of 59.7%. Revenue from offline channels increased by 37.7% from RMB1,057.5 million for the four months ended April 30, 2022 to RMB1,455.7 million for the same period in 2023.

We also distribute our products through online channels comprising our self-operated online stores on major e-commerce platforms and social media platforms. Revenue from online channels increased from RMB97.6 million in 2020 to RMB271.7 million in 2022 at a CAGR of 66.9%. Revenue from online channels increased by 196.1% from RMB24.3 million for the four months ended April 30, 2022 to RMB72.0 million for the same period in 2023.

We actively developed corporate and institutional clients during the Track Record Period. Revenue from corporate and institutional clients fluctuated during the Track Record Period primarily because sales to corporate and institutional clients were largely affected by the cyclical nature of the shared mobility industry and the demand of a few major shared mobility service providers. In addition, sales to corporate and institutional clients usually had a longer payment collection period than sales through other channels, which brought challenges to maintaining a healthy cash flow. Therefore, we were usually cautious about taking orders from corporate and institutional clients and might decline less profitable orders. With the rise of shared economy and on-demand e-commerce, especially those that utilize electric two-wheeled vehicles, we customized and manufactured electric two-wheeled vehicles for a number of leading shared mobility service providers and on-demand e-commerce brands, and other corporate and institutional customers. As a result, revenue contribution from corporate and institutional clients soared in 2020, whereas the proportion of revenue from offline distributors declined in the same year. Revenue from corporate and institutional clients decreased from RMB554.0 million in 2020 to RMB96.4 million in 2022 because we adjusted our sales and marketing strategy for the purpose of risk control and strove to expand our offline distributor network to promote the sales of our self-developed products, considering the shared mobility market being highly competitive and close to saturation. Orders from corporate and institutional clients which mainly procured customized electric two-wheeled vehicles from us decreased in 2022, leading to the significant decrease in revenue from corporate and institutional clients. Revenue from offline distributors, on the other hand, accounted for an increasing proportion of total revenue from sales of products after 2020. Revenue from corporate and institutional clients increased significantly by 428.7% from RMB17.9 million for the four months ended April 30, 2022 to RMB94.6 million for the same period in 2023, primarily because one of our corporate and institutional clients, which is a shared mobility service provider, increased its purchases from us to upgrade its shared electric bicycles.

We also sell our products to overseas distributors. Revenue from overseas distributors increased from RMB39.5 million in 2020 to RMB114.6 million in 2022 at a CAGR of 70.3%. Revenue from overseas distributors decreased by 83.5% from RMB45.9 million for the four months ended April 30, 2022 to RMB7.6 million for the same period in 2023, primarily due to a decrease in overseas sales of electric two-wheeled vehicle parts as affected by the changing international trade environment.

The following table sets forth a breakdown of our revenue from sales of our products by sales channel for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Offline channels	1,664,844	70.7	2,771,684	82.4	4,245,048	89.8	1,057,484	92.3	1,455,681	89.3
– Eastern China	884,198	37.5	1,517,639	45.1	2,508,014	53.0	571,498	49.9	728,768	44.7
– Central and Southern China	463,614	19.7	756,718	22.5	1,090,314	23.1	300,338	26.2	432,091	26.5
– Southwestern China	87,193	3.7	134,292	4.0	250,946	5.3	74,059	6.5	125,391	7.7
– Northern China	117,044	5.0	217,198	6.5	218,029	4.6	58,096	5.1	102,103	6.3
– Other regions	112,795	4.8	145,837	4.3	177,745	3.8	53,493	4.7	67,328	4.1
Online channels	97,550	4.1	108,768	3.2	271,697	5.7	24,333	2.1	72,041	4.4
Corporate and institutional clients	554,037	23.5	421,003	12.5	96,427	2.1	17,897	1.6	94,614	5.8
Overseas distributors	39,493	1.7	63,252	1.9	114,597	2.4	45,908	4.0	7,561	0.5
Total	2,355,924	100.0	3,364,707	100.0	4,727,769	100.0	1,145,622	100.0	1,629,897	100.0

Our major products comprise electric bicycles, electric mopeds and electric motorcycles. The total sales volume of our products reached 1.5 million units, 1.9 million units and 2.4 million units for the year ended December 31, 2020, 2021 and 2022, respectively, representing a CAGR of 28.4%. The sales volume of our products increased by 58.7% from 0.6 million units for the four months ended April 30, 2022 to 0.9 million units for the same period in 2023. The sales volume of electric bicycles and electric motorcycles grew rapidly from 873.7 thousand units and 144.9 thousand units in 2020 to 1,705.3 thousand units and 546.6 thousand units in 2022 at a CAGR of 39.7% and 94.2%, respectively. Their sales volume increased by 86.7% and 51.0% from 361.2 thousand units and 152.6 thousand units for the four months ended April 30, 2022 to 674.5 thousand units and 230.4 thousand units for the same period in 2023, respectively. Such increases was primarily due to (i) an increase in customer demand as consumers were motivated to replace their electric two-wheeled vehicles on hand with new models manufactured in accordance with the New National Standards towards the end of the transition periods of the New National Standards in several provinces in the PRC, (ii) our enhanced production capability and (iii) the launch of several new products that were popular with consumers and our active sales and marketing campaigns for them. In addition, the growth of sales volume of our electric bicycles and electric motorcycles during the Track Record Period was faster than market trends because we focused more on the promotion and development of electric bicycles and electric motorcycles concerning the diminishing favorability of electric mopeds due to the implementation of New National Standards. The New National Standards imposed new restrictions on the specifications of electric mopeds that made it a less favorable choice for consumers than other types of electric two-wheeled vehicles, leading to a decline in customer demand. As a result, the sales volume of electric mopeds decreased by 26.7% from 451.5 thousand units in 2020 to 330.9 thousand units in 2021, and further decreased by 47.9% to 172.5 thousand units in 2022. The sales volume of electric mopeds decreased by 72.9% from 68.1 thousand units for the four months ended April 30, 2022 to 18.4 thousand units for the same period in 2023. According to Frost & Sullivan, average selling prices of electric bicycles, electric mopeds and electric motorcycles in the PRC increased slightly at CAGRs of 2.8%, 2.7% and 2.6% in 2020, 2021 and 2022, respectively. We believe the growth of average selling prices of our electric bicycles and electric motorcycles for the three years ended December 31, 2022 generally followed the market trends. The average selling price of both our electric bicycles and electric motorcycles decreased slightly for the four months ended April 30, 2023 as compared to the same period in 2022, primarily due to (i) an increase in sales of customized electric bicycles to one shared mobility service provider customer, the selling price of which was generally lower than our self-developed products and (ii) price adjustments of some of our electric motorcycles and more rebates to distributors in order to gain price advantages and further expand our offline distribution network. The average selling price of our electric mopeds during the Track Record Period decreased mainly due to our considerations of future decline in customer demand for electric mopeds in light of the implementation of the New National Standards. The following table sets forth the sales volume and average selling prices per unit of our electric vehicles (excluding batteries) for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit
	unit	*RMB*	*unit*	*RMB*	*unit*	*RMB*	*unit*	*RMB*	*unit*	*RMB*
Electric bicycles	873,708	1,156	1,218,462	1,168	1,705,300	1,309	361,204	1,246	674,502	1,193
Electric mopeds	451,504	1,601	330,913	1,496	172,467	1,497	68,070	1,533	18,413	1,479
Electric motorcycles	144,874	1,691	398,304	1,724	546,601	1,745	152,593	1,737	230,435	1,638
Others	2,379	4,805	654	8,327	199	25,580	8	39,657	2	30,897
Total	**1,472,465**	**1,351**	**1,948,333**	**1,340**	**2,424,567**	**1,423**	**581,875**	**1,409**	**923,352**	**1,310**

Cost of Sales

Our cost of sales primarily consists of raw materials and consumables, employee benefits expenses and others.

The key raw materials and consumables for our operations primarily include batteries, including lead-acid batteries and lithium-ion batteries, motors, frames and iron spare parts, plastic parts, shock absorbers and tires. The market price of batteries increased constantly during the Track Record Period.

Employee benefits expenses primarily consist of wages, salaries, bonuses and various other employee benefits paid to production personnel.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Raw materials and consumables used	1,920,690	91.8	2,775,258	91.5	3,883,483	92.0	968,382	91.6	1,344,535	92.0
– Batteries	320,814	15.4	595,017	19.6	1,124,547	26.6	271,648	25.7	391,027	26.8
– Motors	259,927	12.4	404,513	13.3	544,813	12.9	141,418	13.4	181,148	12.4
– Frames and iron spare parts	255,788	12.2	368,548	12.2	375,365	8.9	101,186	9.6	129,000	8.8
– Plastic parts	230,531	11.0	311,854	10.3	395,400	9.4	87,282	8.3	128,475	8.8
– Shock absorbers	131,813	6.3	179,690	5.9	201,254	4.8	54,062	5.1	74,377	5.1
– Tires	90,008	4.3	112,463	3.7	141,438	3.4	37,168	3.5	50,743	3.5
– Others	631,809	30.2	803,173	26.5	1,100,666	26.1	275,618	26.0	389,765	26.6
Employee benefits expenses	44,392	2.1	74,757	2.5	111,432	2.6	34,456	3.3	32,493	2.2
Others*Note*	127,026	6.1	180,559	6.0	226,776	5.4	54,649	5.2	83,936	5.7
Total	**2,092,108**	**100.0**	**3,030,574**	**100.0**	**4,221,691**	**100.0**	**1,057,487**	**100.0**	**1,460,964**	**100.0**

Note: Others mainly include outsourcing labor fee, freight, depreciation of property, plant and equipment, expense relating to short-term leases or low value leases, tax and surcharges, design fee, office expense, advertising expenses, travel expenses, and consulting costs.

For illustration purpose only, we set out below a sensitivity analysis illustrating the impact of hypothetical fluctuations in the cost of raw materials and consumables used of our products on our gross profit, gross profit margin, profit before income tax and profit before income tax margin during the Track Record Period. Fluctuations are assumed to be 1% and 2% for the periods indicated.

Change in gross profit (RMB in thousands, except for percentages)

	For the year ended December 31,									For the four months ended April 30,					
	2020			2021			2022			2022			2023		
	Effect on			Effect on			Effect on			Effect on			Effect on		
Change in cost of raw materials and consumables used	Gross profit	(Decrease)/ increase in percentage	Gross profit margin	Gross profit	(Decrease)/ increase in percentage	Gross profit margin	Gross profit	(Decrease)/ increase in percentage	Gross profit margin	Gross profit	(Decrease)/ increase in percentage	Gross profit margin	Gross profit	(Decrease)/ increase in percentage	Gross profit margin
Increase by 2%	247,810	(13.4)	10.4	331,608	(14.3)	9.7	483,662	(13.8)	10.1	85,106	(18.5)	7.3	163,569	(14.1)	9.9
Increase by 1%	267,017	(6.7)	11.2	359,360	(7.2)	10.5	522,497	(6.9)	10.9	94,790	(9.3)	8.2	177,015	(7.1)	10.7
Decrease by 1%	305,431	6.7	12.8	414,866	7.2	12.1	600,167	6.9	12.5	114,158	9.3	9.8	203,905	7.1	12.3
Decrease by 2%	324,638	13.4	13.6	442,618	14.3	13.0	639,002	13.8	13.4	123,842	18.5	10.7	217,351	14.1	13.2

Change in profit before income tax (RMB in thousands, except for percentages)

	For the year ended December 31,									For the four months ended April 30,					
	2020			2021			2022			2022			2023		
	Effect on			Effect on			Effect on			Effect on			Effect on		
Change in cost of raw materials and consumables used	Profit before income tax	(Decrease)/ increase in percentage	Profit before income margin	Profit before income tax	(Decrease)/ increase in percentage	Profit before income margin	Profit before income tax	(Decrease)/ increase in percentage	Profit before income margin	Profit before income tax	(Decrease)/ increase in percentage	Profit before income margin	Profit before income tax	(Decrease)/ increase in percentage	Profit before income margin
Increase by 2%	4,926	(88.6)	0.2	6,086	(90.1)	0.2	44,578	(63.5)	0.9	(9,713)	(200.6)	(0.8)	12,196	(68.8)	0.7
Increase by 1%	24,133	(44.3)	1.0	33,838	(45.1)	1.0	83,413	(31.8)	1.7	(29)	(100.3)	(0.0)	25,642	(34.4)	1.6
Decrease by 1%	62,547	44.4	2.6	89,344	45.1	2.6	161,083	31.8	3.4	19,339	100.3	1.7	52,532	34.4	3.2
Decrease by 2%	81,754	88.7	3.4	117,096	90.1	3.4	199,918	63.5	4.2	29,023	200.6	2.5	65,978	68.8	4.0

Gross Profit and Gross Profit Margin

Our gross profit represents the excess of revenue over costs of sales. Gross profit margin represents gross profit as a percentage of revenue. The following table sets forth a breakdown of our gross profit and gross profit margins of our products (excluding provision of services) by type of products for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(In thousands, except for percentages)									
							(unaudited)			
Electric bicycles	94,710	9.4	101,192	7.1	272,800	12.2	27,623	6.1	83,820	10.4
Electric mopeds	94,495	13.1	39,808	8.0	32,511	12.6	11,974	11.5	4,408	16.2
Electric motorcycles	37,529	15.3	88,247	12.9	142,595	14.9	27,355	10.3	58,095	15.4
Batteries[1]	23,849	7.8	71,473	11.8	15,403	1.5	7,651	3.0	12,115	3.3
Electric two-wheeled vehicle parts[2]	12,540	20.8	32,739	22.2	41,496	18.3	13,430	19.8	10,471	18.2
Others	694	6.1	673	12.4	1,273	25.0	101	31.9	24	38.5
Total	**263,817**	**11.2**	**334,133**	**9.9**	**506,078**	**10.7**	**88,134**	**7.7**	**168,933**	**10.4**

Notes:

1. Representing batteries sold together with our electric two-wheeled vehicles.

2. Representing vehicle parts, such as tires and batteries, sold separately to distributors for their provision of after-sales services to end customers.

The gross profit margin of sales of products decreased from 11.2% in 2020 to 9.9% in 2021, primarily because we promoted the sales of entry-level models with relatively lower margins to expand offline sales channels to capture market share. The entry-level models of our products have basic riding functions and simple appearance, whereas our mid-to-high end models are usually made of better materials, equipped with better motors and have well-designed appearance. Moreover, our mid-to-high end models offer a variety of smart functions, such as NFC unlocking and Bluetooth communication to link to users' mobile phones. These features enable us to charge a price premium for mid-to-high models as compared to entry-level models with a range from RMB200 per unit to RMB300 per unit in general. The increase in sales of entry-level models largely contributed to the decrease in our gross profit margin of sales of products in 2021. The sales volume of our typical entry-level models, such as Model MH5 (歐月), FBV (卡樂03), FBG (樂騎01), FBG2 (小果粒) and ZAF3 (小錢龜), increased significantly from 45.9 thousand units in 2020 to 352.3 thousand units in 2021, representing 3.1% and 18.1% of total sales volume of our electric vehicles in 2020 and 2021, respectively.

The gross profit margin of sales of products increased from 9.9% in 2021 to 10.7% in 2022, primarily due to (i) the decrease in average procurement costs as a result of economies of scale derived from our growing purchase amount, and (ii) the development and launch of several mid-to-high end models of electric bicycles and electric motorcycles, which had relatively higher margins. In 2022, we developed and launched several mid-to-high end models of electric bicycles and electric motorcycles to enhance product competitiveness and brand image. The typical mid-to-high end models launched in 2022 included Model COLA3, FBZ3 (樂騎05), FBQ (卡樂05), MKK-Jiying (極影), MODA2 and S10. The sales volume of these models reached 246.4 thousand units in the year, leading to an increase in our gross profit margin of sales of products.

The gross profit margin of sales of products increased from 7.7% for the four months ended April 30, 2022 to 10.4% for the same period in 2023, primarily due to the further decrease in average procurement costs as a result of economies of scale derived from our growing purchase amount.

The following table sets forth a breakdown of our gross profit and gross profit margins of our products (excluding provision of services) by sales channels for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(In thousands, except for percentages)									
							(unaudited)			
Offline channels	167,489	10.1	261,430	9.4	401,276	9.5	69,048	6.5	137,245	9.4
Online channels	17,913	18.4	18,468	17.0	54,674	20.1	5,508	22.6	20,790	28.9
Corporate and institutional clients	64,539	11.6	35,369	8.4	14,406	14.9	1,402	7.8	9,146	9.7
Overseas distributors	13,875	35.1	18,867	29.8	35,721	31.2	12,176	26.5	1,752	23.2
Total	**263,817**	**11.2**	**334,133**	**9.9**	**506,078**	**10.7**	**88,134**	**7.7**	**168,933**	**10.4**

The gross profit margin of our sales through offline channels decreased from 10.1% in 2020 to 9.5% in 2022, primarily due to the change in our product mix. The sales volume of our electric bicycles, which had relatively lower margins compared with our other types of products, as a percentage of total sales volume through offline channels increased from 39.1% in 2020 to 69.0% in 2022. The gross profit margin of our sales through offline channels increased from 6.5% for the four months ended April 30, 2022 to 9.4% for the four months ended April 30, 2023, primarily due to the decrease in average procurement costs attributable to products sold through offline channels along with our growing purchase amount. Our gross profit margin of sales through overseas distributors is generally affected by the different gross profit margin attributable to different products sold to different overseas countries and the fluctuation in exchange rates. The decrease in gross profit margin of sales through overseas distributors from 35.1% in 2020 to 29.8% in 2021 was primarily due to the appreciation of the RMB against the US dollar. The decrease in gross profit margin of sales through overseas distributors from 26.5% in the four months ended April 30, 2022 to 23.2% in the same period in 2023 was primarily due to the decrease in sales of electric two-wheeled vehicle parts which have relatively higher gross profit margin than vehicles.

The gross profit margin of our sales through online channels increased from 18.4% in 2020 to 20.1% in 2022, primarily due to an increase in sales volume of mid-to-high end models with relatively higher margins sold through online channels, such as Model INNO9 and S30-S. The gross profit margin of our sales through online channels increased from 22.6% for the four months ended April 30, 2022 to 28.9% for the same period in 2023, primarily due to the decrease in average procurement costs attributable to products sold through online channels along with our growing purchase amount.

The gross profit margin of sales to corporate and institutional clients decreased from 11.6% in 2020 to 8.4% in 2021, and then increased to 14.9% in 2022. The gross profit margin of sales to corporate and institutional clients increased from 7.8% for the four months ended April 30, 2022 to 9.7% for the same period in 2023. Such fluctuations were primarily because the gross profit margin of products sold to corporate and institutional clients varied considerably as we generally provided customized products to them.

The gross profit margin of our sales through overseas distributors is relatively high, primarily because the overseas markets are relatively less competitive so that we are able to price our products more flexibly to earn more profit.

The gross profit margin of provision of training and other services during the Track Record Period was 100% because these services were provided by our sales team who were primarily responsible for the sales of our products and management of our distribution network and therefore no direct costs were incurred for such services.

Selling and Marketing Costs

Our selling and marketing costs primarily include employee benefits expenses, advertising expense, travel expense, consulting costs, outsourcing labor fee, depreciation of property, plant and equipment, expense relating to short-term leases or low value leases and office expense.

The following table sets forth a breakdown of our selling and marketing costs for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefits expenses	43,644	63,939	92,705	26,570	32,059
Advertising expense	30,013	78,734	78,567	7,718	43,117
— Online channels	22,951	61,618	58,234	5,297	31,278
— Offline channels	7,062	17,116	20,333	2,421	11,839
Travel expense	11,214	17,665	26,456	6,298	8,007
Consulting costs	6,321	4,536	17,170	3,992	1,813
Outsourcing labor fee	8,154	4,863	6,284	2,134	2,803
Depreciation of property, plant and equipment	4,427	4,104	4,904	1,514	1,778
Expense relating to short-term leases or low value leases	1,011	2,369	5,940	252	2,262
Office expense	4,279	6,919	8,270	1,785	2,138
Others[Note]	12,360	9,259	19,271	2,925	4,868
Total	**121,423**	**192,388**	**259,567**	**53,188**	**98,845**

Note: Others mainly include depreciation of right-of-use assets and IT system fee.

Our selling and marketing costs increased from RMB121.4 million in 2020 to RMB259.6 million in 2022 at a CAGR of 46.2%. Our selling and marketing costs increased by 85.8% from RMB53.2 million for the four months ended April 30, 2022 to RMB98.8 million for the same period in 2023. Such increases were primarily due to (i) the expansion of our sales and marketing team and pay rises, resulting in an increase in employee benefits expenses, and (ii) the increased advertisement placement and increased consulting costs for brand building.

Administrative Expenses

Our administrative expenses primarily consist of employee benefits expenses, depreciation of property, plant and equipment, consulting costs, listing expenses, office expense, travel expense, depreciation of right-of-use assets and amortization of intangible assets.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefits expenses	20,621	25,502	29,891	9,233	8,799
Depreciation of property, plant and equipment	10,538	9,968	13,699	3,525	4,489
Consulting costs	3,667	5,743	7,971	4,561	3,315
Listing expenses	–	205	15,087	2,796	4,050
Office expense	12,211	8,620	9,062	2,354	2,722
Travel expense	2,823	4,104	4,110	1,285	1,761
Depreciation of right-of-use assets	5,705	4,659	2,278	716	749
Amortization of intangible assets	1,077	969	940	302	310
Others[Note]	4,778	4,674	6,021	1,893	836
Total	**61,420**	**64,444**	**89,059**	**26,665**	**27,031**

Note: Others mainly include auditors' remuneration, outsourcing labor fee and expense relating to short-term leases or low value leases.

Our administrative expenses increased from RMB61.4 million in 2020 to RMB89.1 million in 2022 at a CAGR of 20.4%, primarily due to (i) the increased headcount and pay rises as a result of our business expansion, leading to the increased employee benefits expenses, and (ii) the increased listing expenses incurred during the Track Record Period. Our administrative expenses remained relatively stable at RMB26.7 million and RMB27.0 million for the four months ended April 30, 2022 and 2023, respectively.

Research and Development Costs

Our research and development costs primarily consist of employee benefits expenses, design fee, depreciation of property, plant and equipment and raw materials and consumables used.

The following table sets forth a breakdown of our research and development costs for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefits expenses	31,394	36,848	59,027	14,520	20,751
Design fee	24,985	25,112	35,218	7,724	11,410
Depreciation of property, plant and equipment	11,580	14,032	14,412	4,044	6,277
Raw materials and consumables used	13,861	17,616	36,430	1,967	2,530
Others[Note]	1,701	2,218	5,411	766	890
Total	**83,521**	**95,826**	**150,498**	**29,021**	**41,858**

Note: Others mainly include travel expense, consulting costs, expense relating to short-term leases or low value leases and office expense.

Our research and development costs increased from RMB83.5 million in 2020 to RMB150.5 million in 2022 at a CAGR of 34.2%. Our research and development costs increased by 44.2% from RMB29.0 million for the four months ended April 30, 2022 to RMB41.9 million for the same period in 2023. Such increases were primarily due to (i) the increased number of research and development staff and pay rises, leading to the increased employee benefits expenses, and (ii) the increased raw materials and consumables used and other direct input as a result of the development of new products.

(Provision)/Reversal of Impairment on Financial Assets

Provision or reversal of impairment on financial assets primarily represents provision or reversal of impairment on trade receivables, other receivables and notes receivables. We incurred provision of impairment on financial assets of RMB6.2 million, RMB1.7 million and RMB1.4 million for the year ended December 31, 2020 and 2022 and the four months ended April 30, 2022, respectively. We recognized reversal of impairment on financial assets of RMB0.9 million and RMB1.8 million for the year ended December 31, 2021 and the four months ended April 30, 2023, respectively. We performed impairment assessment for receivables under expected credit loss model. For details, see note 3.1.2(a) to the Accountant's Report included in Appendix I to this prospectus.

Other Income

Our other income primarily consists of income of obsolete material and work in progress, income of operating lease, interest income from related and third parties, interest income from time deposits and government grants.

The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Income of obsolete material and work in progress	5,595	9,016	8,041	1,223	1,566
Income of operating lease	1,131	845	1,520	299	32
Interest income from related and third parties	6,159	3,463	31	1,386	–
Interest income from time deposits	3,822	729	2,399	1,493	725
Government grants	11,576	10,194	20,549	7,556	14,979
Others	986	2,569	5,210	122	662
Total	**29,269**	**26,816**	**37,750**	**12,079**	**17,964**

Government grants from local government primarily consist of (i) general support from government, such as industry support, rewards for our contribution to the local economic growth and incentives to encourage research and development investments, (ii) subsidies for stabilizing employment, (iii) tax refunds and VAT deductions and (iv) subsidies to relieve COVID-19 impacts. There are no unfulfilled conditions or other contingencies relating to these grants.

The following table sets forth a breakdown of our government grants by types for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
General support from government[1]	5,774	8,684	11,463	6,903	13,573
Subsidies for stabilizing employment[2]	1,102	1,047	1,837	293	649
Tax refunds and VAT deductions[3]	2,383	209	6,098	5	632
Subsidies to relieve COVID-19 impacts[4]	1,006	174	727	354	25
Others[5]	1,312	79	423	1	100
Total	**11,576**	**10,194**	**20,549**	**7,556**	**14,979**

Notes:

1. General support from government, such as industry support, rewards for contribution to the local economic growth and incentives to encourage research and development investments, represents both recurring and nonrecurring subsidies from local government after meeting certain requirements imposed by various policies or for engaging in certain specific industries, which were recognized as other income when the incurred operating expenses fulfilled the conditions attached. The government grants received are usually not subject to fulfillment of further conditions.

2. Subsidies for stabilizing employment are ongoing subsidies from local government during the Track Record Period for creating jobs and organizing employee training programs.

3. We usually received VAT deductions each year pursuant to the national tax policy. The amount of tax refunds we may receive each year depends on local tax policies, local government finances and our own financial performance in the year.

4. Subsidies to relieve COVID-19 impacts are one-off subsidies received during the COVID-19 pandemic.

5. Others mainly include one-off small subsidies from local government.

The fluctuation in our government grants received was primarily due to the continuous increase in general support from government that was distributed at the discretion of local government and was generally in line with our business expansion and increasing research and development costs.

Other Expense

Our other expense primarily consists of cost of obsolete material and work in progress. The following table sets forth a breakdown of our other expense for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cost of obsolete material and work in progress	5,362	3,050	4,475	1,048	713
Others	282	1,833	1,618	307	26
Total	**5,644**	**4,883**	**6,093**	**1,355**	**739**

Other Gains – Net

Our other gains – net primarily consist of exchange gains or losses, fair value changes on financial assets at fair value through profit or loss ("**FVTPL**"), donation, losses or gains on disposal of property, plant and equipment and right-of-use assets, gains from disposal of a subsidiary and gains from disposal of associates. The following table sets forth a breakdown of our other gains for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Exchange (losses)/gains	(733)	(16)	1,121	36	(3)
Fair value changes on financial assets at FVTPL	8,674	14,857	19,588	5,552	4,201
Donation	(1,842)	(372)	(671)	(344)	(11)
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(1,897)	(761)	1,706	(84)	(72)
Gains from disposal of a subsidiary	–	–	27	–	–
Gains from disposal of associates	–	–	6,840	6,000	–
Others – net	1,999	(2,486)	4,956	1,487	(643)
Total	**6,201**	**11,222**	**33,567**	**12,647**	**3,472**

Fair value changes on financial assets at FVTPL represent the realized and unrealized gains on certificate of deposits, wealth management products and structured deposits we have purchased from certain reputable commercial banks.

Gains from disposal of a subsidiary derived from the disposal of our subsidiary, LYVA COMPANY LIMITED, in September 2022.

Gains from disposal of associated companies derived from the disposal of Fujian Yizhou and Hangzhou Guangyang in 2022.

Finance Costs – Net

Our finance income mainly comprises interest income on bank deposits. Our interest income on bank deposits increased significantly in 2022, primarily due to the increased balance of bank deposits derived from operating cash inflows and the increase in bank deposit interest rates. Our finance costs mainly comprise interest on bank loans and other loans, and interests on lease liabilities. The following table sets forth a breakdown of our finance costs – net for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Finance income					
Interest income on bank deposits	6,739	8,142	21,038	1,639	5,317
Finance costs					
Interest on bank loans and other loans	(6,609)	(15,200)	(24,682)	(9,546)	(11,516)
Interests on lease liabilities	(302)	(183)	(91)	(50)	(45)
Total finance costs	**(6,911)**	**(15,383)**	**(24,773)**	**(9,596)**	**(11,561)**
Net finance costs	**(172)**	**(7,241)**	**(3,735)**	**(7,957)**	**(6,244)**

Share of Results of Associates

Share of results of associates represents the profits attributable to us from our equity interest in Fujian Yizhou, Hangzhou Guangyang and Jinhua Luchi New Energy Technology Co., Ltd. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our share of results of associates amounted to RMB(23,000), RMB314,000, RMB201,000, RMB9,000 and RMB136,000, respectively. We disposed our interest in Fujian Yizhou in the first half of 2022.

Income Tax (Expense)/Credit

For the years ended December 31, 2020, 2021 and 2022, we recognized income tax expense of RMB3.0 million, RMB2.3 million and RMB4.2 million, respectively, with an effective income tax rate of 7.0%, 3.8% and 3.5%, respectively. For the four months ended April 30, 2022 and 2023, we recognized income tax credit of RMB6.8 million and RMB2.0 million, with an effective income tax rate of (70.3)% and (5.0)%, respectively. The statutory EIT rate for our businesses in mainland China during the Track Record Period is 25%, except that:

- In 2021, Zhejiang Luyuan applied the extension of the high-tech certificate original obtained in December 2009. The latest high-tech certificate was obtained in December 2021 with an effective period for three years. Its applicable EIT rate throughout the Track Record Period was 15%.

- In 2020, Shandong Luyuan applied the extension of the high-tech certificate originally obtained in December 2017. The latest high-tech certificate was obtained in August 2020 with an effective period for three years. Its applicable EIT rate throughout the Track Record Period was 15%.

- Jinhua Yicheng and Ludong (Jinhua) are small low-profit enterprises during the Track Record Period. During the period from January 1, 2020 to December 31, 2020, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to EIT at 20% tax rate. During the period from January 1, 2021 to December 31, 2021, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to EIT at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to EIT at 20% tax rate. During the period from January 1, 2022 to December 31, 2022, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to EIT at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to EIT at 20% tax rate. During the period from January 1, 2023 to April 30, 2023, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to EIT at 20% tax rate.

Our effective income tax rates during the Track Record Period was lower than the 25% statutory EIT rate, primarily due to (i) tax effect of preferential tax rate applicable to the abovementioned subsidiaries and (ii) tax credit for qualified research and development expenses. For details, see note 12 to the Accountant's Report included in Appendix I to this prospectus.

According to the applicable tax regulations in mainland China, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The Directors had confirmed that retained earnings of the Group's subsidiaries in mainland China as of April 30, 2023 will not be distributed in the foreseeable future. The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings as of April 30, 2023 will not be distributed in the foreseeable future. The Group did not recognize deferred income tax for mainland China withholding income tax with amount of RMB40.9 million, RMB50.0 million, RMB60.5 million and RMB64.5 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively, on the remaining unremitted distributable profits generated by its subsidiaries in mainland China attributable to the investors outside mainland China with amount of RMB408.8 million, RMB500.4 million, RMB605.0 million and RMB645.0 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

Profit for the Year/Period

As a result of the forgoing, in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we recorded profit for the year/period of RMB40.3 million, RMB59.3 million, RMB118.0 million, RMB16.4 million and RMB41.0 million, respectively. For the same years, our net profit margin was 1.7%, 1.7%, 2.5%, 1.4% and 2.5%, respectively. During the Track Record Period, in order to lay a solid foundation for long-term growth, we primarily focused on building scale in terms of both production capacity and distribution network and further developing and diversifying our product offerings, rather than seeking immediate increase in financial return. As a result, our annual production capacity increased from 1.8 million units in 2020 to 3.3 million units in 2022 and our distribution network expanded from over 5,400 retail outlets as of December 31, 2020 to over 11,400 retail outlets as of April 30, 2023. Our production capacity reached 1.2 million units for the four months ended April 30, 2023.

Going forward, we plan to improve our profit margins primarily by: (i) growing our distribution network both domestically and internationally and (ii) increasing production efficiency. For details of our strategies and plans to grow our distribution network both domestically and international which we believe will allow us to increase our revenue, see "Business – Strategies – Further upgrade, expand and optimize the layout of our sales and distribution network", "Business – Strategies – Steadily expand our business in international markets" and "Future Plans and Use of Proceeds". With respect to increasing production efficiency, we plan to (i) leverage the scale advantage following the expansion of our production capacity to enhance our bargaining power with upstream suppliers and lower the costs of our raw materials and components; (ii) strictly implement and continuously improve our operating procedures to increase the first-pass yield of our finished products; (iii) increase our production team's proficiency to our production processes to enhance their efficiency; (iv) seamlessly connect product development and design with production and optimize our production processes; and (v) further standardize and optimize production processes and parameters of commonly used parts and components in different models of our products to reduce waste during production and enhance production efficiency.

YEAR ON YEAR COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2023 Compared to Four Months Ended April 30, 2022

Revenue

Our revenue increased by 42.1% from RMB1,162.0 million for the four months ended April 30, 2022 to RMB1,651.4 million for the four months ended April 30, 2023, primarily due to an increase in the overall sales volume of our products.

Revenue from sales of products

Revenue from sales of electric two-wheeled vehicles increased by 47.5% from RMB819.5 million for the four months ended April 30, 2022 to RMB1,209.1 million for the four months ended April 30, 2023, primarily due to an increase in revenue from sales of electric bicycles and electric motorcycles. Revenue from sales of electric bicycles increased by 78.7% from RMB450.1 million for the four months ended April 30, 2022 to RMB804.5 million for the four months ended April 30, 2023. Revenue from sales of electric motorcycles increased by 42.4% from RMB265.0 million for the four months ended April 30, 2022 to RMB377.4 million for the four months ended April 30, 2023. The revenue growth in the four months ended April 30, 2023 was partially offset by a 73.9% decrease in revenue from sales of electric mopeds from RMB104.4 million for the four months ended April 30, 2022 to RMB27.2 million for the four months ended April 30, 2023 due to changes in consumer preferences caused by the implementation of the New National Standards. The New National Standards imposed new restrictions on the specifications of electric mopeds, making them a less favorable choice for consumers than other types of electric two-wheeled vehicles.

The increase in revenue from electric bicycles and electric motorcycles was mainly derived from the growth of their respectively sales volume by 86.7% and 51.0% from 0.4 million and 0.15 million units for the four months ended April 30, 2022 to 0.7 million and 0.23 million units for the four months ended April 30, 2023, respectively. Such increases were primarily because (i) we launched new and popular products during the period, such as Model S70 for electric motorcycles and Model S70-L, FBZ5 (樂騎07), LIVA7 and ZOC for electric bicycles; (ii) we continuously put efforts in marketing and branding, including without limitation cooperating with the national table tennis team, sponsoring more variety shows and dramas and organizing product launch events; and (iii) we had further expanded our offline distribution network and the number of our offline distributors increased to 1,314 as of April 30, 2023 in mainland China.

Revenue from sales of batteries increased by 40.8% from RMB257.9 million for the four months ended April 30, 2022 to RMB363.1 million for the four months ended April 30, 2023, primarily due to the growth of sales volume of batteries attributable to more electric two-wheeled vehicles sold to end customers that were generally equipped with our batteries.

Revenue from sales of electric two-wheeled vehicle parts decreased by 15.3% from RMB68.0 million for the four months ended April 30, 2022 to RMB57.6 million for the four months ended April 30, 2023, primarily due to a decrease in overseas sales of electric two-wheeled vehicle parts as affected by the changing international trade environment.

Revenue from other products decreased by 80.8% from RMB318,000 for the four months ended April 30, 2022 to RMB61,000 for the four months ended April 30, 2023, primarily due to a decrease in sales volume of our electric sightseeing vehicles.

Revenue from provision of services

Revenue from training service increased by 10.5% from RMB13.0 million for the four months ended April 30, 2022 to RMB14.4 million for the four months ended April 30, 2023, primarily due to the opening of new retail outlets of our distributors during the period.

Revenue from other services increased by 115.9% from RMB3.3 million for the four months ended April 30, 2022 to RMB7.1 million for the four months ended April 30, 2023, primarily due to an increase in e-commerce service fees in line with the growth of revenue from online channel.

Cost of sales

Our cost of sales increased by 38.2% from RMB1,057.5 million for the four months ended April 30, 2022 to RMB1,461.0 million for the four months ended April 30, 2023. The increase was primarily attributable to an increase in raw materials and consumables used of RMB376.2 million primarily in line with our sales growth.

Gross profit

As a result of the foregoing, our gross profit increased by 82.3% from RMB104.5 million for the four months ended April 30, 2022 to RMB190.5 million for the four months ended April 30, 2023. Our gross profit margin increased from 9.0% for the four months ended April 30, 2022 to 11.5% for the four months ended April 30, 2023, primarily due to the decrease in average procurement costs as a result of economies of scale.

Selling and marketing costs

Our selling and marketing costs increased by 85.8% from RMB53.2 million for the four months ended April 30, 2022 to RMB98.8 million for the four months ended April 30, 2023, primarily due to an increase in advertising expense of RMB35.4 million as a result of more online and offline advertising activities, such as our cooperation with the national table tennis team, the sponsorship of more variety shows and dramas, and more product launch events.

Administrative expenses

Our administrative expenses remained relatively stable at RMB26.7 million and RMB27.0 million for the four months ended April 30, 2022 and 2023, respectively.

Research and development costs

Our research and development costs increased by 44.2% from RMB29.0 million for the four months ended April 30, 2022 to RMB41.9 million for the four months ended April 30, 2023, primarily due to (i) an increase in employee benefits expenses of RMB6.2 million as we allocated more staff to our increasing research and development activities and also hired more senior talents, (ii) an increase in design fee of RMB3.9 million as a result of the increase in the number of newly developed product models from 17 for the four months ended April 30, 2022 to 28 for the four months ended April 30, 2023 and (iii) an increase in depreciation of property, plant and equipment of RMB2.3 million.

(Provision)/reversal of impairment on financial assets

We incurred provision of impairment on financial assets of RMB1.4 million for the four months ended April 30, 2022 while we recognized reversal of impairment on financial assets of RMB1.8 million for the four months ended April 30, 2023, primarily attributable to the reversal of impairment on loans to a related party as a result of repayment of such loans.

Other income

Our other income increased by 48.7% from RMB12.1 million for the four months ended April 30, 2022 to RMB18.0 million for the four months ended April 30, 2023, primarily due to an increase in government grants received of RMB7.4 million.

Other expense

Our other expense decreased by 45.5% from RMB1.4 million for the four months ended April 30, 2022 to RMB0.7 million for the four months ended April 30, 2023, primarily due to a decrease in cost of obsolete material and work in progress of RMB0.3 million.

Other gains – net

Our other gains – net decreased by 72.5% from RMB12.6 million for the four months ended April 30, 2022 to RMB3.5 million for the four months ended April 30, 2023, primarily due to (i) a decrease in fair value changes on financial assets at FVTPL of RMB1.4 million, which represented gains from our investments in certificate of deposits, wealth management products and structured deposits, because we invested in more short-term products with relatively low expected rates of return for the four months ended April 30, 2023 and (ii) a decrease in gains from disposal of associates of RMB6.0 million which only generated during the four months ended April 30, 2022.

Finance costs – net

Our net finance costs decreased by 21.5% from RMB8.0 million for the four months ended April 30, 2022 to RMB6.2 million for the four months ended April 30, 2023, primarily due to (i) an increase in interest income on bank deposits of RMB3.7 million as a result of increased operational cash inflows driven by our sales growth, partially offset by (ii) an increase in interest on bank loans and other loans of RMB2.0 million as a result of increased bank loans obtained by us.

Share of results of associates

Share of results of associates increased by 1,411.1% from RMB9,000 for the four months ended April 30, 2022 to RMB136,000 for the four months ended April 30, 2023, primarily due to an increase in net profit of these associated companies.

Income tax (expense)/credit

Our income tax credit decreased by 71.2% from RMB6.8 million for the four months ended April 30, 2022 to RMB2.0 million for the four months ended April 30, 2023, respectively, primarily due to an significant increase in profit before income tax, partially offset by an increase in research and development expenditures which were tax deductible.

Profit for the period

As a result of the foregoing, our profit for the period increased significantly by 149.6% from RMB16.4 million for the four months ended April 30, 2022 to RMB41.0 million for the four months ended April 30, 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 39.9% from RMB3,417.7 million in 2021 to RMB4,783.0 million in 2022, primarily due to (i) an increase in the overall sales volume of our products and (ii) an increase in the overall average selling price per unit of our products attributable to the increased revenue contribution from mid-to-high end electric bicycles and electric motorcycles.

Revenue from sales of products

Revenue from sales of electric two-wheeled vehicles increased by 32.2% from RMB2,605.3 million in 2021 to RMB3,444.2 million in 2022, primarily due to an increase in revenue from sales of electric bicycles and electric motorcycles. Revenue from sales of electric bicycles increased by 56.8% from RMB1,423.6 million in 2021 to RMB2,232.1 million in 2022. Revenue from sales of electric motorcycles increased by 38.9% from RMB686.7 million in 2021 to RMB953.9 million in 2022. The revenue growth in 2022 was partially offset by a 47.8% decrease in revenue from sales of electric mopeds from RMB495.0 million in 2021 to RMB258.2 million in 2022 due to changes in consumer preferences caused by the implementation of the New National Standards.

The increase in revenue from electric bicycles and electric motorcycles was mainly derived from the growth of their respectively sales volume by 40.0% and 37.2% from 1.2 million and 0.4 million units in 2021 to 1.7 million and 0.5 million units in 2022, respectively. Such increases were primarily because (i) consumers were motivated to replace their electric two-wheeled vehicles on hand with new models manufactured in accordance with the New National Standards towards the end of the transition periods of the New National Standards in several provinces in the PRC, such as Zhejiang and Yunnan; (ii) our product capacity had been further improved from 2.1 million units in 2021 to 3.3 million units in 2022; (iii) we continued to launch new and popular products such as Model INNO9, S10 and MKK-Ji Ying (極影); (iv) we carried out more marketing and branding activities, including live streaming marketing; and (v) we had expanded our offline distribution network and the number of our offline distributors increased from 1,108 as of December 31, 2021 to 1,236 as of December 31, 2022 in mainland China. In addition, the average selling price per unit of our electric bicycles and electric motorcycles increased from RMB1,168 and RMB1,724 in 2021 to RMB1,309 and RMB1,745 in 2022, respectively, primarily due to the optimization of our product mix by introducing more mid-to-high end models, such as Model INNO9 and Model D-moda2 for electric bicycles and Model S10 and MKK-Ji Ying (極影) for electric motorcycles.

Revenue from sales of batteries increased by 73.6% from RMB606.1 million in 2021 to RMB1,052.4 million in 2022, primarily due to the growth of sales volume of batteries attributable to more electric two-wheeled vehicles sold to end customers that were generally equipped with our batteries.

Revenue from sales of electric two-wheeled vehicle parts increased by 53.0% from RMB147.8 million in 2021 to RMB226.2 million in 2022 along with the increased sales of our electric bicycles and electric motorcycles.

Revenue from other products decreased by 6.5% from RMB5.4 million in 2021 to RMB5.1 million in 2022, primarily due to a decrease in sales of our electric tricycles, partially offset by a slight increase in sales of our electric sightseeing vehicles.

Revenue from provision of services

Revenue from training service increased by 30.9% from RMB28.1 million in 2021 to RMB36.8 million in 2022, primarily due to an increase in the number of retail outlets of our distributors.

Revenue from other services decreased by 25.7% from RMB24.9 million in 2021 to RMB18.5 million in 2022.

Cost of sales

Our cost of sales increased by 39.3% from RMB3,030.6 million in 2021 to RMB4,221.7 million in 2022. The increase was primarily attributable to an increase in raw materials and consumables used of RMB1,108.2 million primarily in line with our sales growth.

Gross profit

As a result of the foregoing, our gross profit increased by 45.0% from RMB387.1 million in 2021 to RMB561.3 million in 2022. Our gross profit margin increased from 11.3% in 2021 to 11.7% in 2022, primarily due to (i) sales growth of our new products launched in 2022 and (ii) the decrease in average procurement costs as a result of economies of scale.

Selling and marketing costs

Our selling and marketing costs increased by 34.9% from RMB192.4 million in 2021 to RMB259.6 million in 2022, primarily due to (i) an increase in employee benefits expenses of RMB28.8 million as a result of pay raises by an average of approximately 16.9% and increased headcount by approximately 24.0%, (ii) an increase in travel expense of RMB8.8 million in line with our business expansion and (iii) an increase in consulting costs of RMB12.6 million in relation to strategic consultation services provided by external independent third-party experts.

Administrative expenses

Our administrative expenses increased by 38.2% from RMB64.4 million in 2021 to RMB89.1 million in 2022, primarily due to (i) an increase in employee benefits expenses of RMB4.4 million as a result of pay raises by an average of approximately 27.7%, (ii) an increase in depreciation of property, plant and equipment of RMB3.7 million as a result of the acquisition of certain property that was previously leased, (iii) an increase in consulting costs of RMB2.2 million and (iv) an increase in listing expenses of RMB14.9 million.

Research and development costs

Our research and development costs increased by 57.1% from RMB95.8 million in 2021 to RMB150.5 million in 2022, primarily due to (i) an increase in employee benefits expenses of RMB22.2 million as a result of increased headcount by approximately 32.3% , (ii) an increase in design fee of RMB10.1 million as a result of the increase in the number of newly developed product models from 46 in 2021 to 72 in 2022 and (iii) an increase in raw materials and consumables used of RMB18.8 million.

(Provision)/reversal of impairment on financial assets

We recognized reversal of impairment on financial assets of RMB0.9 million in 2021 while we recognized provision of impairment on financial assets of RMB1.7 million in 2022, primarily attributable to an increase in the balance of trade and notes receivables as a result of business expansion.

Other income

Our other income increased by 40.8% from RMB26.8 million in 2021 to RMB37.8 million in 2022, primarily due to an increase in government grants received of RMB10.4 million.

Other expense

Our other expense increased by 24.8% from RMB4.9 million in 2021 to RMB6.1 million in 2022, primarily due to an increase in cost of obsolete material and work in progress of RMB1.4 million along with our increased production volume.

Other gains – net

Our other gains – net increased significantly by 199.1% from RMB11.2 million in 2021 to RMB33.6 million in 2022, primarily due to (i) gains from disposal of Fujian Yizhou of RMB6.8 million, (ii) an increase in gains on disposal of property, plant and equipment of RMB2.5 million as a result of the disposal of a mould used for our regular production, (iii) gains from disposal of LYVA COMPANY LIMITED of RMB0.3 million, (iv) exchange gains of RMB1.1 million attributable to the appreciation of RMB and (v) an increase in fair value changes on financial assets at FVTPL of RMB4.7 million, which represented gains from our investments in certificate of deposits, wealth management products and structured deposits.

Finance costs – net

Our net finance costs decreased by 48.4% from RMB7.2 million in 2021 to RMB3.7 million in 2022, primarily due to an increase in interest income on bank deposits of RMB12.9 million as a result of increased operational cash inflows driven by our sales growth.

Share of results of associates

Share of results of associates decreased by 36.0% from RMB314,000 in 2021 to RMB201,000 in 2022, primarily due to a decrease in net profit of these associated companies.

Income tax (expense)/credit

Our income tax expense increased by 81.0% from RMB2.3 million in 2021 to RMB4.2 million in 2022, primarily due to the increased taxable income.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly by 99.2% from RMB59.3 million in 2021 to RMB118.0 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 43.7% from RMB2,378.3 million in 2020 to RMB3,417.7 million in 2021, primarily due to the increase in revenue contribution from electric bicycles and electric motorcycles as a result of the significant increase in sales volume of these two types of products.

Revenue from sales of products

Revenue from sales of electric two-wheeled vehicles increased by 31.7% from RMB1,977.9 million in 2020 to RMB2,605.3 million in 2021, primarily due to an increase in revenue from sales of electric bicycles and electric motorcycles as a result of the growth of sales volume, partially offset by a decrease in revenue from sales of electric mopeds as a result of changes in consumer preferences caused by the implementation of the New National Standards.

Revenue from sales of electric bicycles increased by 40.9% from RMB1,010.1 million in 2020 to RMB1,423.6 million in 2021, the sales volume increased by 39.5% from 873.7 thousand units in 2020 to 1,218.5 thousand units in 2021. Revenue from sales of electric motorcycles increased significantly by 180.4% from RMB244.9 million in 2020 to RMB686.7 million in 2021, the sales volume increased by 174.9% from 144.9 thousand units in 2020 to 398.3 thousand units in 2021. The increases in sales volume of electric bicycles and electric motorcycles were primarily because (i) consumers were motivated to replace their electric two-wheeled vehicles on hand with new models manufactured in accordance with the New National Standards; (ii) our product capacity had been improved from 1.8 million units in 2020 to 2.1 million units in 2021; (iii) we launched certain new products that were more popular with consumers, including Model INNO5 and 7 for electric bicycles and Model S30 for electric motorcycles; and (iv) we made greater efforts in marketing and branding.

Revenue from sales of batteries increased significantly by 97.8% from RMB306.4 million in 2020 to RMB606.1 million in 2021. The increase was partially in line with the increased sales of our electric two-wheeled vehicles. In addition, we negotiated with our battery suppliers for lower purchase prices of batteries, which enabled us to provide more batteries to distributors together with our products delivered to them.

Revenue from sales of electric two-wheeled vehicle parts increased by 145.4% from RMB60.2 million in 2020 to RMB147.8 million in 2021 along with the increased sales of our electric bicycles and electric motorcycles.

Revenue from other products decreased by 52.4% from RMB11.4 million in 2020 to RMB5.4 million in 2021, primarily due to a decrease in sales volume of our special function vehicles.

Revenue from provision of services

Revenue from training service and other services increased by 169.5% and 107.7% from RMB10.4 million and RMB12.0 million in 2020 to RMB28.1 million and RMB24.9 million in 2021, respectively, primarily in line with the increase in sales of our electric bicycles and electric motorcycles.

Cost of sales

Our cost of sales increased by 44.9% from RMB2,092.1 million in 2020 to RMB3,030.6 million in 2021, primarily due to an increase in raw materials and consumables used of RMB868.3 million in line with our sales growth. Cost of raw materials and consumables used increased by 44.5% from RMB1,920.7 million in 2020 to RMB2,775.3 million in 2022, among which cost of batteries increased significantly by 85.5% from RMB320.8 million in 2020 to RMB595.0 million in 2021, primarily due to (i) an increase in the sales volume of our products sold to end customers that were usually equipped with our batteries, and (ii) an increase in the market price of batteries.

Gross profit

As a result of the foregoing, our gross profit increased by 35.2% from RMB286.2 million in 2020 to RMB387.1 million in 2021. However, our gross profit margin decreased from 12.0% in 2020 to 11.3% in 2021, primarily because (i) the sales volume of electric bicycles, which had a relatively lower margin compared with our other products, as a proportion of total sales volume of our electric two-wheeled vehicles increased due to rising demand caused by the New National Standards; (ii) we cooperated with certain large distributors to expand market share and provided more sales rebates to maintain a good relationship with them; and (iii) the operation of our Guangxi Plant was at ramp up stage and incurred relatively higher production costs than our other production facilities.

Selling and marketing costs

Our selling and marketing costs increased by 58.4% from RMB121.4 million in 2020 to RMB192.4 million in 2021, primarily due to (i) an increase in employee benefits expenses of RMB20.3 million as a result of pay raises by an average of approximately 21.5% in view of our business expansion and (ii) an increase in advertising expense of RMB48.7 million attributable to increased advertising activities to expand our distribution channels and enhance our brand awareness, such as sponsoring five more variety shows and ad placement at public transportation vehicles or stations in over ten more cities.

Administrative expenses

Our administrative expenses increased by 4.9% from RMB61.4 million in 2020 to RMB64.4 million in 2021, primarily due to an increase in employee benefits expenses of RMB4.9 million as a result of pay raises by an average of approximately 7.1% in view of our business expansion.

Research and development costs

Our research and development costs increased by 14.7% from RMB83.5 million in 2020 to RMB95.8 million in 2021, primarily due to an increase in employee benefits expenses of RMB5.5 million and an increase in raw materials and consumables used of RMB3.8 million as a result of our research and development investments in the motors of our products and our continuous development of new product models.

(Provision)/reversal of impairment on financial assets

We incurred provision of impairment on financial assets of RMB6.2 million in 2020 while we recognized reversal of impairment on financial assets of RMB0.9 million in 2021, primarily attributable to a decrease in trade receivables due from corporate and institutional clients.

Other income

Our other income decreased by 8.4% from RMB29.3 million in 2020 to RMB26.8 million in 2021, primarily due to (i) a decrease in interest income from time deposits of RMB3.1 million and (ii) a decrease in interest income from related and third parties of RMB2.7 million, partially offset by an increase in income of obsolete material and work in progress of RMB3.4 million.

Other expense

Our other expense remained relatively stable at RMB5.6 million in 2020 and RMB4.9 million in 2021, respectively.

Other gains – net

Our other gains – net increased by 81.0% from RMB6.2 million in 2020 to RMB11.2 million in 2021, primarily due to an increase in fair value changes on financial assets at FVTPL of RMB6.2 million derived mainly from certificate of deposits we invested in 2021.

Finance costs – net

We recorded net finance costs of RMB0.2 million in 2020 while we incurred net finance costs of RMB7.2 million in 2021, primarily due to an increase in interest on bank loans and other loans of RMB8.6 million attributable to the increase in our outstanding bank loans.

Share of results of associates

Share of results of associates turned around from loss of RMB23,000 in 2020 to profit of RMB314,000 in 2021 in light of the improvement in performance of these associated companies.

Income tax (expense)/credit

Our income tax expense decreased by 23.2% from RMB3.0 million in 2020 to RMB2.3 million in 2021, primarily due to (i) an increase in tax effect of preferential tax rate of RMB1.2 million and (ii) an increase in super deduction in respect of research and development expenditures of RMB5.2 million.

Profit for the year

As a result of the foregoing, our profit for the year increased by 47.1% from RMB40.3 million in 2020 to RMB59.3 million in 2021.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating profit before working capital changes	93,310	111,977	170,422	27,886	66,326
Changes in working capital	(107,774)	26,939	320,702	180,437	(66,495)
Interest received on bank deposits	6,738	8,143	21,038	1,639	5,317
Income tax paid	(2,645)	(2,671)	(2,270)	(1,263)	(2,564)
Net cash (used in)/generated from operating activities	**(10,371)**	**144,388**	**509,892**	**208,699**	**2,584**
Net cash used in investing activities	**(31,062)**	**(562,522)**	**(294,096)**	**(159,118)**	**(187,038)**
Net cash generated from/(used in) financing activities	**8,371**	**464,851**	**(44,864)**	**139,922**	**273,013**
Net (decrease)/increase in cash and cash equivalents	**(33,062)**	**46,717**	**170,932**	**189,503**	**88,559**
Cash and cash equivalents at beginning of the year/period	209,504	175,370	222,012	222,012	395,038
Effect of foreign exchange rate changes, net	(1,072)	(75)	2,094	36	(10)
Cash and cash equivalents at end of the year/period	**175,370**	**222,012**	**395,038**	**411,551**	**483,587**

Net Cash Generated from/(Used in) Operating Activities

For the four months ended April 30, 2023, our net cash used in operating activities of RMB2.6 million was primarily attributable to our operating profit before working capital changes of RMB66.3 million, as adjusted by (i) changes in working capital of RMB66.5 million, (ii) interest received on bank deposits of RMB5.3 million and (iii) income tax paid of RMB2.6 million. Changes in working capital mainly consisted of (i) an increase in debt instruments at FVOCI of RMB73.3 million representing bank acceptance bills with relatively high credit ratings collected from our corporate and institutional clients and distributors which were used to settle payment to us, (ii) an increase in other receivables and prepayments of RMB22.0 million and (iii) a decrease in contract liabilities of RMB33.0 million, partially offset by (iv) a decrease in inventories of RMB26.2 million and (v) an increase in trade and notes payables of RMB84.3 million.

For the four months ended April 30, 2022, our net cash generated from operating activities of RMB208.7 million was primarily attributable to our operating profit before working capital changes of RMB27.9 million, as adjusted by (i) changes in working capital of RMB180.4 million, (ii) interest received on bank deposits of RMB1.6 million and (iii) income tax paid of RMB1.3 million. Changes in working capital mainly consisted of (i) an increase in trade and notes payables of RMB123.6 million, (ii) an increase in contract liabilities of RMB36.4 million and (iii) a decrease in other receivables and prepayments of RMB46.6 million, partially offset by (iv) an increase in trade and notes receivables of RMB40.1 million, which was generally in line with our business growth.

For the year ended December 31, 2022, our net cash generated from operating activities of RMB509.9 million was primarily attributable to our operating profit before working capital changes of RMB170.4 million, as adjusted by (i) changes in working capital of RMB320.7 million, (ii) interest received on bank deposits of RMB21.0 million and (iii) income tax paid of RMB2.3 million. Changes in working capital mainly consisted of an increase in trade and notes payables of RMB433.2 million, partially offset by an increase in trade and notes receivables of RMB149.0 million, which was generally in line with our business growth.

For the year ended December 31, 2021, our net cash generated from operating activities of RMB144.4 million was primarily attributable to our operating profit before working capital changes of RMB112.0 million, as adjusted by (i) changes in working capital of RMB26.9 million, (ii) interest received on bank deposits of RMB8.1 million and (iii) income tax paid of RMB2.7 million. Changes in working capital mainly consisted of (i) an increase in trade and notes payables of RMB370.0 million and (ii) a decrease in debt instruments at FVOCI of RMB85.8 million, partially offset by (iii) an increase in other receivables and prepayments of RMB259.5 million and (iv) an increase in inventories of RMB179.6 million.

For the year ended December 31, 2020, our net cash used in operating activities of RMB10.4 million was primarily attributable to our operating profit before working capital changes of RMB93.3 million, as adjusted by (i) changes in working capital of RMB107.8 million, (ii) interest received on bank deposits of RMB6.7 million and (iii) income tax paid of RMB2.6 million. Changes in working capital mainly consisted of (i) an increase in debt instruments at FVOCI of RMB140.1 million representing bank acceptance bills from corporate and institutional clients as sales to corporate and institutional clients typically had a longer payment collection period and (ii) an increase in inventories of RMB73.6 million, partially offset by (iii) a decrease in restricted cash of RMB88.2 million and (iv) a decrease in other receivables and prepayments of RMB15.4 million.

Net Cash Used in Investing Activities

For the four months ended April 30, 2023, net cash used in investing activities was RMB187.0 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB80.8 million, (ii) payments for financial assets at FVTPL of RMB231.7 million which represented purchases of wealth management products and structured deposits and (iii) payments for time deposits of RMB285.2 million, partially offset by (iv) proceeds from financial assets at FVTPL of RMB187.6 million which was redemption of wealth management products and structured deposits and (v) proceeds from time deposits of RMB220.9 million.

For the four months ended April 30, 2022, net cash used in investing activities was RMB159.1 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB63.2 million, (ii) payments for financial assets at FVTPL of RMB111.9 million and (iii) payments for time deposits of RMB178.6 million, partially offset by (iv) proceeds from financial assets at FVTPL of RMB67.5 million and (v) proceeds from time deposits of RMB99.7 million.

For the year ended December 31, 2022, net cash used in investing activities was RMB294.1 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB224.3 million and (ii) payments for financial assets at FVTPL of RMB286.0 million which represented purchases of wealth management products and structured deposits, partially offset by (iii) proceeds from financial assets at FVTPL of RMB198.4 million which was redemption of wealth management products and structured deposits.

For the year ended December 31, 2021, net cash used in investing activities was RMB562.5 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB317.1 million and (ii) payments for financial assets at FVTPL of RMB1,124.7 million, partially offset by (iv) proceeds from financial assets at FVTPL of RMB857.0 million.

For the year ended December 31, 2020, net cash used in investing activities was RMB31.1 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB80.3 million and (ii) payments for financial assets at FVTPL of RMB1,602.9 million, partially offset by (iii) proceeds from financial assets at FVTPL of RMB1,660.4 million.

Net Cash Generated from/(Used in) Financing Activities

For the four months ended April 30, 2023, net cash generated from financing activities was RMB273.0 million, which was primarily attributable to (i) proceeds from borrowings of RMB453.6 million, partially offset by (ii) repayments of borrowings of RMB166.2 million.

For the four months ended April 30, 2022, net cash generated from financing activities was RMB139.9 million, which was primarily attributable to (i) proceeds from borrowings of RMB463.9 million, partially offset by (ii) repayments of borrowings of RMB311.0 million.

For the year ended December 31, 2022, net cash used in financing activities was RMB44.9 million, which was primarily attributable to (i) repayments of borrowings of RMB922.9 million, partially offset by (ii) proceeds from borrowings of RMB913.4 million.

For the year ended December 31, 2021, net cash generated from financing activities was RMB464.9 million, which was primarily attributable to proceeds from borrowings of RMB950.7 million, partially offset by repayments of borrowings of RMB470.9 million.

For the year ended December 31, 2020, net cash generated from financing activities was RMB8.4 million, which was primarily attributable to proceeds from borrowings of RMB649.3 million, partially offset by repayments of borrowings of RMB628.5 million.

WORKING CAPITAL

The following table sets forth the details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	208,489	388,071	445,672	419,519	319,226
Trade and notes and lease receivables	137,929	157,870	294,809	305,917	280,744
Other receivables and prepayments	171,415	316,075	132,632	142,795	156,627
Financial assets at fair value through profit or loss	63,564	428,027	533,565	581,881	621,929
Debt instruments at fair value through other comprehensive income	175,832	118,957	95,229	168,314	135,545
Time deposits	20,004	42,000	119,200	183,650	196,140
Restricted cash	16,665	32,615	81,820	123,300	116,130
Cash and cash equivalents	175,370	222,012	395,038	483,587	773,460
	969,268	1,705,627	2,097,965	2,408,963	2,599,801

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current liabilities					
Trade and notes and other payables	818,943	1,306,601	1,704,646	1,767,621	1,795,544
Contract liabilities	57,132	82,888	96,384	63,382	85,630
Borrowings	155,912	523,051	286,862	450,837	557,091
Provisions and other liabilities	4,510	6,477	4,576	5,794	5,884
Lease liabilities	3,299	2,140	2,798	1,559	3,179
Income tax liabilities	10,877	18,692	19,872	17,555	19,040
	1,050,673	1,939,849	2,115,138	2,306,748	2,466,368
Net current (liabilities)/assets	**(81,405)**	**(234,222)**	**(17,173)**	**102,215**	**133,433**

We recorded net current liabilities of RMB81.4 million, RMB234.2 million and RMB17.2 million as of December 31, 2020, 2021 and 2022, mainly due to the bank loans for the expansion of our production capabilities, including the construction of our Guangxi Plant and our new factory in Zhejiang Plant. To improve our net current liabilities position and ensure working capital sufficiency, we have negotiated with banks to obtain medium or long-term loans to replace our short-term loans, which primarily resulted in our net current liabilities during the Track Record Period. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we have successfully obtained nil, RMB143.0 million, RMB369.7 million and RMB493.2 million medium and long-term loans. As a result, our net current liabilities position by the end of the Track Record Period had been largely improved compared with previous years. In addition, we intend to further expand our sales scale and enhance operating efficiency, so as to increase our net profit and eventually improve our net current liabilities position. As of April 30, 2023 and July 31, 2023, we recorded net current assets of RMB102.2 million and RMB133.4 million, respectively. We will continue to improve capital turnover and increase the proportion of current assets in our total assets.

Our net current assets increased by 30.5% from RMB102.2 million as of April 30, 2023 to RMB133.4 million as of July 31, 2023, primarily due to (i) an increase in cash and cash equivalent of RMB289.9 million attributable to our operating cash inflows, partially offset by (ii) a decrease in inventories of RMB100.3 million as a result of sales of our products and (iii) an increase in borrowings of RMB106.3 million as a result of an increase in discounted bank notes.

We recorded net current liabilities of RMB17.2 million as of December 31, 2022 whereas we recorded net current assets of RMB102.2 million as of April 30, 2023, primarily due to (i) an increase in cash and cash equivalents of RMB88.5 million attributable to our operating cash inflows resulted from our sales growth, (ii) an increase in debt instruments at fair value through other comprehensive income of RMB73.1 million as a result of the increasing use of acceptance bills by our distributors, (iii) an increase in time deposits of RMB64.5 million, and (iv) an increase in financial assets at FVTPL of RMB48.3 million representing our investments in certificate of deposits, wealth management products and structured deposits using idle cash, partially offset by (v) an increase in current borrowings of RMB164.0 million.

Our net current liabilities decreased by 92.7% from RMB234.2 million as of December 31, 2021 to RMB17.2 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB173.0 million attributable to our operating cash inflows resulted from our sales growth, (ii) an increase in trade and notes and lease receivables of RMB136.9 million in line with our business expansion, (iii) an increase in financial assets at FVTPL of RMB105.5 million, and (iv) a decrease in current borrowings of RMB236.2 million, partially offset by an increase in trade and notes and other payables of RMB398.0 million attributable to our expansion and our slowed-down payments to suppliers as the prices of raw materials dropped in 2022.

Our net current liabilities increased significantly by 187.7% from RMB81.4 million as of December 31, 2020 to RMB234.2 million as of December 31, 2021, primarily due to (i) an increase in trade and notes and other payables of RMB487.7 million and (ii) an increase in borrowings of RMB367.1 million, partially offset by (iii) an increase in inventories of RMB179.6 million and (iv) an increase in financial assets at FVTPL of RMB364.5 million.

Working Capital Statement

Taking into account the estimated net proceeds from the Global Offering and the financial resources presently available to us, including our cash and cash equivalents, cash flows from operating activities and our available bank loans and banking facilities, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient funds to meet our working capital requirements for at least the next 12 months from the date of this prospectus.

Our Directors confirm that there were no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the date of this prospectus.

SELECTED KEY BALANCE SHEET ITEMS

Inventories

Our inventories primarily consist of raw materials, work in progress, finished goods and goods in transit. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	51,945	100,482	97,582	99,863
Work in progress	10,410	28,531	50,927	59,460
Finished goods	145,880	257,604	295,046	258,552
Goods in transit	254	1,454	2,117	1,644
Total	**208,489**	**388,071**	**445,672**	**419,519**

Our inventories increased by 86.1% from RMB208.5 million as of December 31, 2020 to RMB388.1 million as of December 31, 2021, primarily because (i) we stocked up our raw materials and finished goods in advance in anticipation of a rise in the price of batteries in the next year, and (ii) our Guangxi Plant commenced operation and enhanced our production capabilities. Our inventories further increased by 14.8% to RMB445.7 million as of December 31, 2022, primarily in line with our business expansion. Our inventories decreased by 5.9% from RMB445.7 million as of December 31, 2022 to RMB419.5 million as of April 30, 2023, primarily due to a decrease in finished goods of RMB36.5 million to facilitate inventory turnover to streamline our inventory management.

The following table sets forth our inventory turnover days for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,
	2020	2021	2022	2023
Inventory turnover days	30.0	35.9	36.0	35.5

Note: Inventory turnover days are calculated by the average of the beginning and ending balance of inventories for the year/period divided by cost of sales for the year/period and multiplied by the number of days during the year/period.

The increase in our inventory turnover days in 2021 was primarily because we stocked up our raw materials and finished goods in advance to mitigate the impact of the COVID-19 pandemic on our production, resulting in a rise in the ending balances of inventories. Our inventory turnover days remained relatively stable in 2021 and 2022. The decrease in our inventory turnover days for the four months ended April 30, 2023 was primarily due to a decrease in finished goods.

The table below sets forth an ageing analysis for our inventories:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	202,022	384,722	439,430	414,335
Between 1 and 2 years	5,010	2,034	5,094	3,889
Between 2 and 3 years	1,457	418	383	501
Over 3 years	–	897	765	794
Total	**208,489**	**388,071**	**445,672**	**419,519**

As of July 31, 2023, RMB356.5 million, or 85.0%, of our inventories as of April 30, 2023 had been used, consumed or sold subsequently. According to our inventory management policy, we periodically assess the value of our inventories to determine whether to recognize provisions for impairment. The Directors believe that there was no material recoverability issue for inventories and no provision for inventories had been made during the Track Record Period.

Trade and Notes and Lease Receivables

Our trade and notes and lease receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Our sales to most of our distributors were made on a payment-before-delivery basis. On a case-by-case basis, we provided credit limits instead of credit terms to certain creditworthy distributors, distributors with whom we have long-term relationships or distributors with a relatively larger scale. The credit limit is primarily determined based on the relevant distributor's performance in the previous year, estimated sales and business plan in the coming year, and credit worthiness. Upon granting credit limits, in addition to determining the amounts, the Group will determine the terms of the credit limits which are typically within one month, one year, or in extremely rare circumstances, five years, depending on the specific arrangement. The credit limits are revolving during their respective terms and distributors are required to settle all outstanding amounts upon expiration of the terms. According to Frost & Sullivan, it is not uncommon in the electric two-wheeled vehicle industry in mainland China for companies to grant credit terms and credit limits to their distributors. At the end of each year, outstanding balances are recorded as receivables. The following table sets forth a breakdown of our trade and notes and lease receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	143,040	149,013	189,664	274,164
Less: Provision for impairment of receivables	(30,426)	(22,162)	(22,212)	(27,293)
	112,614	126,851	167,452	246,871
Notes receivables	25,358	31,088	118,850	49,823
Less: Provision for impairment of receivables	(43)	(69)	(436)	(184)
	25,315	31,019	118,414	49,639
Total	**137,929**	**157,870**	**285,866**	**296,510**

Our trade and notes receivables increased by 14.5% from RMB137.9 million as of December 31, 2020 to RMB157.9 million as of December 31, 2021, increased by 81.1% to RMB285.9 million as of December 31, 2022, primarily due to (i) our business growth and (ii) the increasing use of acceptance bills due within six months by our distributors, leading to the increase in notes receivables. Our trade and notes receivables increased by 3.7% from RMB285.9 million as of December 31, 2022, to RMB296.5 million as of April 30, 2023, primarily due to (i) an increase in trade receivables of RMB79.4 million mainly arising from the increased revenue contribution from corporate and institutional clients, which usually had a longer payment collection period than other kind of customers, partially offset by (ii) a decrease in notes receivables of RMB68.8 million because we received more bank acceptance bills accepted by banks with relatively high credit ratings from customers, which were therefore classified as debt instruments at FVOCI instead of notes receivables.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease receivables[Note]				
Finance lease receivables – current	–	–	9,178	9,655
Finance lease receivables – non current	–	–	10,239	5,348
Less: Provision for impairment of receivables	–	–	(498)	(385)
	–	**–**	**18,919**	**14,618**

Note: In view of the booming shared mobility markets, we have been seeking opportunities to cooperate with suitable shared mobility companies to expand our source of revenue and enhance our brand awareness. To this end, we entered into lease agreements with Jinhua Hongzi Investment Holding Co., Ltd. ("**Jinhua Hongzi**"), pursuant to which we leased our electric bicycles to Jinhua Hongzi for carrying out electric bicycle sharing business at a rate of RMB100 per unit per month for a period of two years. Jinhua Hongzi paid us on a quarterly basis and will take ownership of the leased electric bicycles upon the expiration of the lease. Jinhua Hongzi is a local shared mobility service provider with rich operation experience on college campuses and in cities. Jinhua Hongzi is wholly owned by a former employee of the Company and is an Independent Third Party. During the year ended December 31, 2022 and the four months ended April 30, 2023, revenue contribution from the lease arrangement with Jinhua Hongzi amounted to RMB16.3 million and nil, respectively. We will continue our cooperation with Jinhua Hongzi in the field of shared mobility after the Listing but will keep it on a relatively small scale compared with our main business, the sales of electric two-wheeled vehicles. We have no intention to seek for any new cooperative partners in the shared mobility industry at the current stage. We believe this business will not bring about material changes in our cost structure and risk profile on the ground that (i) Jinhua Hongzi maintained good business relationship with us and had good credit records; (ii) we may take a variety of measures to control our risks under the lease arrangement, including requesting for the access to the operating data of Jinhua Hongzi, reviewing its bank statements and requesting late fees or withhold the leased electric bicycles in the case of late payment; and (iii) as of December 31, 2022 and April 30, 2023, we had properly made sufficient impairment provisions of RMB0.5 million and RMB0.4 million for the lease receivables due from Jinhua Hongzi. See note 23(b) to the Accountant's Report included in Appendix I to this prospectus for further details.

The table below sets forth a breakdown of our trade and notes receivables by customer type:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Domestic distributors	120,648	154,256	261,532	208,509
E-commerce platforms	1,112	4,985	7,668	10,651
Corporate and institutional customers	42,482	19,040	30,748	98,181
Overseas distributors	4,156	1,820	8,566	6,646
Total	**168,398**	**180,101**	**308,514**	**323,987**

The ageing analysis of our trade receivables, based on the revenue recognition date is as follows:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	101,919	118,530	167,566	235,518
Between 1 and 2 years	18,019	12,026	4,212	19,491
Between 2 and 3 years	9,442	7,160	2,558	3,610
Over 3 years	13,660	11,297	15,328	15,545
Total	**143,040**	**149,013**	**189,664**	**274,164**

The table below sets forth an ageing analysis for our trade receivables attributable to our domestic and overseas distributors:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	64,102	100,133	134,702	133,505
Between 1 and 2 years	18,019	12,023	4,200	18,338
Between 2 and 3 years	3,664	7,160	2,558	3,700
Over 3 years	13,660	5,672	9,788	9,788
Total	**99,445**	**124,988**	**151,248**	**165,331**

The following table sets forth our trade and notes receivable turnover days for the years indicated:

	For the year ended December 31,			For the four months ended April 30,
	2020	**2021**	**2022**	**2023**
Trade and notes receivable turnover days	21.7	15.8	16.9	21.2

Note: Trade and notes receivable turnover days are calculated by the average of the beginning and ending balance of trade and notes receivables for the year/period divided by total revenue for the year/period and multiplied by the number of days during the year/period.

The decrease in our trade and notes receivable turnover days from 21.7 days in 2020 to 15.8 days in 2021 was mainly due to our credit management efforts, such as the adoption of a more prudent approach in granting credit limits to our distributors. Our trade and notes receivable turnover days then increased to 16.9 days in 2022 primarily because we developed new corporate and institutional customers in 2022 and received payments by installments from them. Our trade and notes receivable turnover days increased from 16.9 days in 2022 to 21.2 days for the four months ended April 30, 2023, primarily due to the increase in receivables due from corporate and institutional clients along with the growth of their revenue contribution.

As of July 31, 2023, RMB218.2 million, or 67.4%, of our trade and notes receivables as of April 30, 2023 had been settled subsequently. The Directors believe that there is no material recoverability issue for our trade receivables and sufficient provision for impairment of trade receivables has been made, given that:

(i) the Directors believe the credit risk of the Group is immaterial on the bases that: (a) during the Track Record Period, we typically granted credit limits to and accepted payment by notes from a few distributors with good financial condition and credit record, and granted credit terms to some of our corporate and constitutional clients; (b) our trade receivables at the end of each year during the Track Record Period were relatively small as compared to revenue generated in the year/period; and (c) we had relatively high turnover rate for trade receivables as the turnover days of the Group's trade and notes receivables amounted to 21.7 days, 15.8 days, 16.9 days and 21.2 days for the year ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively;

(ii) we adopted comprehensive internal control policies and measures to minimize potential credit risks. For example, we have established an internal credit evaluation system to assess the potential customer's credit quality and defines credit limits by customer before accepting any new customer. According to our credit management policy, the maximum amount of credit limit approved shall not exceed RMB200 million in aggregate at all times (which is relatively small as compared with our total revenue during each year of the Track Record Period). Our management has delegated a particular team responsible for the determination and regular review of credit limits and credit approvals attributed to customers. In addition, we have been exerting efforts in collecting overdue receivables. Our finance team closely monitors our outstanding trade receivables, maintains trade receivables management account and ageing analysis table and review regularly the credit records of our customers. We may take follow-up actions such as active communications with our customers through various channels, payment reminders or legal actions as appropriated to collect overdue trade receivables; and

(iii) during the Track Record Period, we had performed impairment assessment on trade receivables balances under the expected credit loss model. We recognized provision for impairment of trade receivables of RMB30.4 million, RMB22.2 million, RMB22.2 million and RMB27.3 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The provision for impairment of trade receivables was calculated by multiplying trade receivables balances by the expected credit loss rates. Different expected credit loss rate was applied to the balance of each age-band for our trade receivables. In particular, the expected credit loss rate applied to our trade receivables aged over three years, which accounted for 5.6% of our total trade receivables as of April 30, 2023, was 100%. The expected credit loss rates were based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome and reasonable and supportable information that was available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions. For further details on the credit risk exposure on our trade receivables, see note 3.1.2(a) to the Accountant's Report included in Appendix I to this prospectus.

Based on the foregoing, the Sole Sponsor concurred with the Directors that they were not aware of any material recoverability issue for the Group's trade receivables and sufficient provision for impairment of trade receivables had been made.

Other Receivables and Prepayments

The following table sets forth the breakdown of our other receivables and prepayments as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments for construction and equipment	11,874	37,146	29,459	37,546
Loans to third parties	11,260	–	–	–
Deposits	1,165	1,196	1,496	1,850
Payment of decoration costs	411	54,218	85,113	96,027
Less: Provision for impairment of other receivables	(238)	(28)	(40)	(50)
	24,472	92,532	116,028	135,373

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Prepayments for raw materials	6,769	164,132	25,384	4,788
Prepaid expenses	5,997	8,686	11,567	29,295
Prepaid taxes and surcharges and input VAT to be deducted	3,371	19,371	10,865	11,952
Receivables from disposal of a subsidiary	48,000	–	–	–
Receivables from disposal of land use right[1]	20,000	20,000	20,000	20,000
Loans to a related party[2]	95,620	58,500	11,000	–
Loans to third parties	18,931	41,062	5,648	5,648
Deposits	1,061	1,108	1,360	554
Payment of decoration costs	176	33,181	70,162	85,172
Prepayments for listing expenses	–	54	5,745	8,156
Others	9,296	8,690	9,097	8,767
Less: Provision for impairment of other receivables	(37,806)	(38,709)	(38,196)	(31,537)
	171,415	316,075	132,632	142,795
Total other receivables and prepayments	**195,887**	**408,607**	**248,660**	**278,168**

Notes:

1. In May 2016, we transferred the land use rights of two parcels of land located in the development zone of Yinan County to Yinan County Urban State owned Assets Operation Co., Ltd., a state-owned enterprise supported by local government finance, at a consideration of RMB80 million. RMB60 million had been paid in prior years and RMB20 million remained unsettled due to tight finances of the local government. The Group has made full provision for the balances prior to the Track Record Period.

2. The balances due from a related party represented the loan to Linyi Luyuan Real Estate Co., Ltd. ("**Linyi Luyuan**") in 2019, which were secured by apartments and shops owned by Linyi Luyuan with an effective annual interest rate of 6%. The original maturity period was one year and extended by one year until December 31, 2021. As Linyi Luyuan has defaulted on the loan, we have initiated legal proceedings against it for the total outstanding amount of RMB15.0 million. In March 2023, Linyi Luyuan and us reached an agreement, pursuant to which, Linyi Luyuan agreed to settle the amounts due to us with the pledged assets before May 1, 2023 and we agreed to waive any interests due from Linyi Luyuan. As a result, the balance of loans to a related party as of December 31, 2022 of RMB11.0 million had been fully settled as of the Latest Practicable Date. In addition, since 2020, the Group has ceased granting loans to any other related party and has no intention to provide any loan to any related party in the future. We recorded loss allowance of RMB1.8 million, RMB3.1 million, RMB4.7 million and nil for such loan as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Based on similar reasons described under " – loans to third parties" below, our Directors are of the view, and our PRC Legal Advisors concur, that our loans to a related party does not constitute a material non-compliance of any applicable laws or regulations.

Our other receivables and prepayments increased significantly by 108.6% from RMB195.9 million as of December 31, 2020 to RMB408.6 million as of December 31, 2021, primarily due to (i) an increase in prepayments for raw materials of RMB157.4 million as a result of purchases of lithium-ion batteries in advance in 2021 as the price of certain key raw material of lithium-ion batteries, i.e. battery grade Li_2CO_3, experienced a significant increase from RMB114.9 thousand per ton in the third quarter of 2021 to RMB208.0 thousand per ton in the fourth quarter of 2021 and the management anticipated future price rises, and (ii) an increase in payment of decoration costs of RMB86.8 million, partially offset by (iii) a decrease in receivables from disposal of a subsidiary, namely Jiangsu Luyuan Motorcycle Technology Co., Ltd., of RMB43.9 million as the purchaser paid the same amount to the Group in 2021 and (iv) a decrease in loans to a related party, namely Linyi Luyuan Real Estate Co., Ltd., of RMB37.1 million as a result of repayment of such borrowings. Our other receivables and prepayments decreased by 39.1% from RMB408.6 million as of December 31, 2021 to RMB248.7 million as of December 31, 2022, primarily due to (i) a decrease in prepayments for raw materials of RMB138.7 million because we received lithium-ion batteries purchased in 2021 and did not stock up on lithium-ion batteries that much as Li_2CO_3 prices had been returning to normal at a rapid pace since the fourth quarter of 2022, partially offset by (ii) an increase in payment of decoration costs of RMB67.9 million as a result of the increase in the number of retail outlets to further expand our sales channels, see "– Payment of decoration costs" in this section for details. Our other receivables and prepayments increased by 11.9% from RMB248.7 million as of December 31, 2022 to RMB278.2 million as of April 30, 2023, primarily due to (i) an increase in prepayments for construction and equipments of RMB8.1 million attributable to the construction of our Guangxi Plant, (ii) an increase in payment of decoration costs of RMB25.9 million as a result of the expansion of our distribution network to over 11,400 retail outlets as of April 30, 2023, and (iii) an increase in prepaid expenses of RMB17.7 million representing prepaid advertising fees.

The ageing analysis of our material other receivables and prepayments, including prepayments for raw materials, payment of decoration costs and loans to third parties, is as follows:

	As of December 31,			**As of April 30,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for construction and equipment				
– Less than 1 year	9,468	36,485	28,665	35,228
– Between 1 and 2 years	2,406	661	794	1,877
– Between 2 and 3 years	–	–	–	441
– Over 3 years	–	–	–	–
	11,874	37,146	29,459	37,546

Note: No provision of impairment was made for prepayments. As of July 31, 2023, RMB3.9 million, or 10.4%, of our prepayments for construction and equipment as of April 30, 2023 had been subsequently settled.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for raw materials				
– Less than 1 year	6,418	163,899	24,930	2,326
– Between 1 and 2 years	110	2	213	2,382
– Between 2 and 3 years	154	87	160	7
– Over 3 years	87	144	81	73
	6,769	164,132	25,384	4,788

Note: No provision of impairment was made for prepayments. As of July 31, 2023, RMB1.3 million, or 27.2%, of our prepayments for raw materials as of April 30, 2023 had been subsequently settled.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payment of decoration costs				
– Less than 1 year	587	87,008	104,412	117,364
– Between 1 and 2 years	–	391	50,649	54,102
– Between 2 and 3 years	–	–	214	9,733
– Over 3 years	–	–	–	–
	587	87,399	155,275	181,199

Note: No provision of impairment was made for prepayments. As of July 31, 2023, RMB24.3 million, or 13.4%, of our non-current and current payment of decoration costs as of April 30, 2023 had been subsequently deducted from revenue.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans to third parties				
– Less than 1 year	14,900	25,251	–	–
– Between 1 and 2 years	5,760	5,500	358	358
– Between 2 and 3 years	5,300	5,011	–	–
– Over 3 years	4,231	5,300	5,290	5,290
	30,191	41,062	5,648	5,648
Provision for impairment of loans to third parties	(6,059)	(7,764)	(5,648)	(3,708)
Loans to third parties, net	24,132	33,298	–	1,940

Note: As of July 31, 2023, RMB2.2 million, or 39.0%, of our loans to third parties as of April 30, 2023 had been subsequently settled.

Payment of decoration costs

During the Track Record Period, in order to ensure consistency of the style and brand presentation at their retail outlets, we entered into decoration support agreements with some of our distributors and directly managed the decoration and refurbishment of their retail outlets by communicating with the decoration companies and purchasing necessary decorative supplies and materials. We bore decoration costs of the relevant retail outlets in full and paid directly to the decoration companies on behalf of the relevant distributors from accounting perspective. In exchange, the relevant distributors entered into agreements with us generally with terms of three to five years, under which they might commit, among other things, to meet our requirements on minimum sales volume to end customers, maintain the appearance, layout and brand presentation at their retail outlets by keeping our decorations in place and keep their retail outlets exclusive to our products. Under the agreements, we are entitled to claim compensation in the case of breach of such commitments by the relevant distributors.

When distributors have committed a minimum sales volume pursuant to the decoration support agreements, the decoration costs borne by the Group are initially capitalized as "payment of decoration costs" under other receivables and prepayments of the Group, and subsequently amortized based on the fulfilled portion of the minimum sales volume commitment and deducted against revenue over the applicable periods (i.e. the duration stipulated in the decoration support agreements, generally three to five years). When any distributor fails to meet its minimum sales volume commitment, the Group has the right to require such distributor to return part of decoration costs borne by the Group based on the unfulfilled portion of sales volume commitments, and the remaining part of payment of decoration costs attributable to such distributor after deducting the recoverable return will be deducted from revenue directly. Based on Frost & Sullivan's interviews with certain industry peers including, the average operating life of retail outlets of electric two-wheeled vehicles is designed to be three to five years, and it's a common practice to amortize and deduct the decoration costs from revenue over a three-to five-year period. For details of the accounting treatment of decoration costs, see note 2.18 to the Accountant's Report included in Appendix I to this prospectus.

For the year ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, decoration costs we bore amounted to RMB55.4 million, RMB123.7 million, RMB132.0 million and RMB46.4 million involving approximately 730, 2,350, 3,440, 1,530 retail outlets, respectively. The increase in both the amount of decoration costs and number of retail outlets involved was mainly attributable to our expanding distribution network and enhanced offline branding. Revenue contribution from these distributors, including 381, 720, 722 and 470 offline distributors, amounted to RMB991.5 million, RMB2,409.2 million, RMB3,146.9 million and RMB1,166.3 million for the year ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. Revenue deducted from the amortization of payment of decoration costs amounted to approximately RMB673.0, RMB15.3 million, RMB59.4 million and RMB20.0 million for the year ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively.

Save as disclosed in the section headed "Business – Sales and Distribution – Offline Channels – Credit Policies and Financial Assistance to Distributors" and other than in the capacity as our distributors, to our best knowledge, there is no other past or present relationship between the Group and each of these distributors, their respective substantial shareholders, directors or senior management, or any of their respective associates.

Loans to third parties

During the Track Record Period, our loans to third parties primarily consisted of loans to distributors, sub-distributors, suppliers and employees. The following table sets forth the movement of our current and non-current loans to third parties before provision of impairment during the Track Record Period:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans to distributors and sub-distributors[1]				
Balance at the beginning of the year	**13,957**	**15,800**	**28,406**	**5,648**
Increase during the year	5,289	16,355	–	–
Decrease (repayment) during the year	(3,446)	(3,749)	(22,758)	–
Balance at the end of the year	**15,800**	**28,406**	**5,648**	**5,648**
Loans to suppliers[2]				
Balance at the beginning of the year	**7,505**	**13,160**	**4,500**	**–**
Increase during the year	10,939	7,821	–	–
Decrease (repayment) during the year	(5,284)	(16,481)	(4,500)	–
Balance at the end of the year	**13,160**	**4,500**	**–**	**–**
Loans to employees[3]				
Balance at the beginning of the year	**1,681**	**1,231**	**8,156**	**–**
Increase during the year	–	9,044	–	–
Decrease (repayment) during the year	(450)	(2,119)	(8,156)	–
Balance at the end of the year	**1,231**	**8,156**	**–**	**–**

Notes:

1. We provided loans to a total of 31 distributors and sub-distributors primarily to support their lease payments for existing and/or newly opened retail outlets and to satisfy their short-term cash flow needs. For further details, see "Business – Sales and Distribution – Offline Channels – Credit Policies and Financial Assistance to Distributors."

2. We provided loans to five suppliers that had long-standing business relationship with us with good credit records in order to support their business development and procurement of raw materials.

3. Loans to 13 key employees were mainly used for house purchases.

We recognized loss allowance for loans to third parties of RMB6.1 million, RMB7.8 million, RMB5.6 million and RMB3.7 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. We took measures to collect the outstanding loans due from three distributors as much as possible. See "Business – Sales and Distribution – Offline Channels – Credit Policies and Financial Assistance to Distributors" for details. Currently, the foreclosure proceedings against the third defaulting distributor has been completed and RMB2.2 million has been repaid to us. Since 2022, the Group has ceased advancing loans to third parties and has no intention to provide any loans to third parties in the future. The Directors believe that there is no material recoverability issue for our loans to third parties and sufficient provision for loans to third parties has been made.

To the best knowledge of the Company, the repayments made by the borrowers during the Track Record Period were funded by either their own working capital or borrowings from other sources. To the best knowledge of the Company having made all reasonable enquiries, there is no other past or present relationship between the Group and each of the borrowers, their respective substantial shareholders, directors or senior management, or any of their respective associates, other than that they were our distributors, sub-distributors, suppliers or employees as disclosed above.

According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans between enterprises that are not financial institutions are prohibited. The PBOC may impose a fine of one to five times of the income generated (being interests charged) from the loan advancing activities between enterprises. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Private Lending Provisions. According to the Private Lending Provisions, the Supreme People's Court recognizes the validity of loan contracts between non-financial institutions for production and operation needs so long as certain requirements, such as interests charged and no circumstance of invalidity of contracts under the Civil Code of the PRC, are satisfied. In addition, as advised by our PRC Legal Advisors, the General Lending Provisions are not applicable to loans to third parties (such as distributors, sub-distributors or employees) that were individuals.

We confirm that the loans are primarily made for the purpose of supporting the normal business operation of the relevant distributors, sub-distributors, suppliers and the related party.We have no intention to engage in any private lending activity for the purpose of generating interest income, and our provision of loans to third parties and the related party did not involve the regulatory exceptional circumstances stipulated in the Civil Code of the PRC or relevant provisions of the Private Lending Provisions. Therefore, our PRC Legal Advisors are of the view that our provision of the loans to our distributors and sub-distributors, suppliers, and the related party during the Track Record Period are valid.

We further confirm that (i) the funds provided under the loans to third parties and the related party were self-owned funds of our Group and we have not provided loans to any unspecified persons or enterprises, and (ii) we have not been subject to any investigation, penalties or enforcement actions or received any notice from any regulatory authority in relation to our provision of loans to third parties or the related party during the Track Record Period. Considering the reasons above, our Directors are of the view, and our PRC Legal Advisors concur that, the risk of us being penalized for our loans to third parties and the related party based on the General Lending Provisions is remote, and our provision of loans to third-parties and the related party do not constitute material non-compliance of any applicable laws or regulations. Based on the foregoing together with the advice of the PRC Legal Advisors, nothing has come to the attention of the Sole Sponsor for them to disagree with the Directors' view above.

Property, Plant and Equipment

Our property and equipment consist of buildings, plant and machinery, office equipment, motor vehicles and construction in progress. Our property, plant and equipment increased by 76.9% from RMB422.7 million as of December 31, 2020 to RMB747.7 million as of December 31, 2021, increased by 12.9% to RMB844.1 million as of December 31, 2022 and further increased slightly by 3.7% to RMB875.3 million as of April 30, 2023, primarily due to the construction of our Guangxi Plant and the expansion of our Zhejiang Plant.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss mainly comprise certificate of deposits and structured deposits and other wealth management products purchased from reputable commercial banks. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our financial assets at fair value through profit or loss amounted to RMB63.6 million, RMB428.0 million, RMB533.6 million and RMB581.9 million, respectively. The following table sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Certificate of deposits	–	337,925	470,045	479,950
Wealth management products and structured deposits	63,564	90,102	63,520	101,931
Total	**63,564**	**428,027**	**533,565**	**581,881**

We regularly invested in certificate of deposits and, to a lesser extent, purchased short-term wealth management products and structured deposits during the Track Record Period to improve the return on idle cash and bank balances. The certificate of deposits we invested in were principal protected with fixed interests, and generally had a term of three years. The wealth management products and structured deposits we purchased were generally of short-term and low-risk nature and were issued by reputable PRC commercial banks. The return on our wealth management products and structured deposits depended on the performance of their respective underlying financial assets. The rate of return of our investments in certificate of deposits, wealth management products and structured deposits ranged from 1.45% to 4.83% in general. We have implemented a series of internal control policies on investments to ensure corporate fund safety and improve fund utilization efficiency. We adopt a prudent approach in selecting financial products. According to our internal policies, risk-free deposits are our preferred investment targets and we are also allowed to invest in low-risk financial products issued by reputable commercial banks in mainland China. We may only purchase financial products when we have sufficient cash to satisfy our short-term working capital needs. Our finance team will regularly review our working capital conditions, capital structure and existing investments, plan for capital expenditures and forecast future cash flows to evaluate our cash needs. Our investment decisions are made on a case-by-case basis after due and careful consideration of a number of factors, including without limitation risk profile of the financial products, macro-economic environment, general market conditions, credit of issuing banks, and the maturities and expected rates of return of the financial products. Investments in certificate of deposits and structured deposits shall be approved by our chief financial officer and purchases of wealth management products shall be approved by the vice president responsible for finance and risk control. To control our risk exposure, we oversee the performance of the financial products we purchased and timely measures will be taken to manage our investments. Our finance team report to our fund management committee on a monthly basis regarding our investments. Our investment in these financial assets after Listing will be subject to compliance with Chapter 14 of the Listing Rules.

Valuation of financial assets

In relation to the valuation of financial assets categorized within level 3 of fair value measurement, including financial assets at FVTPL and debt instruments at FVOCI, with reference to the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC, our Directors have adopted the following procedures: (i) understanding the nature and assessing the merits of the financial assets at FVTPL and debt instruments at FVOCI by reviewing the terms of the relevant agreements and documents regarding the financial assets and the relevant bank acceptance bills; (ii) discussing with the Reporting Accountants on the basis of the valuation of financial assets categorized within level 3 of fair value measurement and obtaining sufficient understanding of the valuation model, methodologies and techniques, (iii) considering the accuracy and reasonableness of material information that would affect the valuation, especially those non-market related information input which required management assessment and estimates, such as expected rate of return and/or discount rate; and (iv) reviewing the valuation works and results and the financial statements prepared in accordance with HKFRS. Based on the above procedures, our Directors are of the view that the valuation of financial assets at FVTPL and debt instruments at FVOCI categorized within level 3 of fair value measurement performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. In addition, our Directors are satisfied with the valuation work of financial assets at FVTPL and debt instruments at FVOCI categorized within level 3 of fair value measurement performed during the Track Record Period.

The Reporting Accountant has carried out necessary audit procedures related to the financial assets at FVTPL and debt instruments at FVOCI categorized within level 3 of fair value measurement, in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information, as a whole, of the Group for the Track Record Period is set out on pages I-1 to I-3 of Appendix I to the Prospectus.

The Sole Sponsor has conducted the following due diligence work in relation to the valuation of the Company's financial assets categorized within level 3 of fair value measurement, including (i) discussed with the Group's management to understand the details of the major types and rate of return of the Group's financial assets at FVTPL categorized within level 3 of fair value measurement, the methodologies and consideration factors for valuation of financial assets at FVTPL and debt instruments at FVOCI, as well as the adoption and implementation of the internal control measures relating to the valuation of such financial assets; (ii) obtained and reviewed the full list and sample agreements of the Group's financial assets at FVTPL and debt instruments at FVOCI to understand the nature, the details including the maturity dates and discount rates of such financial assets; (iii) reviewed the relevant internal control policies and procedures, and discussed with the Internal Control Consultant in relation to the Group's policies on management of financial assets at FVTPL and debt instruments at FVOCI; (iv) reviewed the relevant notes in the Accountant's Report set out in Appendix I to this prospectus; and (v) discussed with the Reporting Accountant to understand the auditing work and procedures they have performed in respect of the Group's valuation of financial assets at FVTPL and debt instruments at FVOCI categorized within level 3 of fair value measurement.

Having considered the work done by the Directors and the Reporting Accountant and the due diligence work performed by the Sole Sponsor as stated above, nothing has come to the attention of the Sole Sponsor that would cause them to disagree with the valuation of financial assets at FVTPL and debt instruments at FVOCI categorized within level 3 of fair value measurement.

Debt Instruments at Fair Value through Other Comprehensive Income

Our debt instruments at FVOCI primarily consist of bank acceptance bills accepted by banks with relatively high credit ratings, which were mainly used by our corporate and institutional clients and distributors to settle payment to us. Our debt instruments at FVOCI decreased from RMB175.8 million as of December 31, 2020 to RMB119.0 million as of December 31, 2021, primarily due to a decrease in bank acceptance bills collected from our corporate and institutional clients along with the decrease in their revenue contribution in 2021. Our debt instruments at FVOCI further decreased to RMB95.2 million as of December 31, 2022, but then increased to RMB168.3 million as of April 30, 2023. Such fluctuation was primarily affected by the amount of bank acceptance bills accepted by banks with relatively high credit ratings used by our customers at their respective discretion to settle payment to us. For the valuation of debt instruments at FVOCI categorized within level 3 of fair value measurement, see "– Valuation of financial assets" in this section.

Trade and Notes and Other Payables

Our trade and other payables represent liabilities for goods and services provided to us which are unpaid, including without limitation trade payables, notes payable, other tax payables, payable for land and equipment which increased significantly in 2021 due to the construction of our Guangxi Plant and the expansion of our Zhejiang Plant, deposits, accrued expenses, loans from and interest payable to a related party, accrued payroll and unfulfilled government grants. Our trade and other payables are unsecured and are usually paid within 180 days of recognition. The following table sets forth the breakdown of our trade and notes and other payables as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	305,712	538,458	588,356	825,990
Notes payable	387,019	524,194	907,478	754,113
Subtotal	692,731	1,062,652	1,495,834	1,580,103
Other tax payables	24,660	19,595	37,756	42,824
Payable for land and equipment	15,729	117,090	43,460	23,978
Deposits	30,523	19,988	8,339	8,948
Accrued expenses	19,346	34,462	40,845	59,231
Loans from and interest payable to a related party	–	3,282	–	–
Accrued payroll	34,176	47,299	61,426	42,739
Unfulfilled government grants[Note]	–	–	14,214	5,000
Others	1,778	2,233	2,772	4,798
Total	**818,943**	**1,306,601**	**1,704,646**	**1,767,621**

Note: Guangxi Luyuan received the government grant of RMB14.2 million in 2020 from the government of Guigang City, Guangxi province, the PRC for the land and plant invested by the Group. In December 2022, the government modified the preconditions of this government grant pursuant to which the government grant subjected to approval from the government upon receiving application from the Group. By the end of 2022, the Group had not yet submitted the application to the government and had not received reply from the government, thus the preconditions had not been met. As a result, the Group reclassified the cash received of RMB14.2 million for this government grant to other payables as of December 31, 2022. For the four months ended April 30, 2023, Guangxi Luyuan has submitted applications for all the above government grants to government and part of the applications have been officially approved by the local government, therefore, the Group recognized RMB9.2 million in other income for the four months ended April 30, 2023.

The ageing analysis of trade payables based on invoice date as of December 31, 2020, 2021 and 2022 and April 30, 2023 are as follows:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	260,057	520,996	577,359	812,649
Between 1 and 2 years	34,492	4,174	5,300	6,375
Between 2 and 3 years	7,892	2,150	2,541	4,522
Over 3 years	3,271	11,138	3,156	2,444
Total	**305,712**	**538,458**	**588,356**	**825,990**

Our trade and notes and other payables increased by 59.5% from RMB818.9 million as of December 31, 2020 to RMB1,306.6 million as of December 31, 2021, and further increased by 30.5% to RMB1,704.6 million as of December 31, 2022, primarily due to the increase in trade payables in line with our business expansion and the increase in notes payable attributable to the increasing use of bank acceptance bills that were generally due within six months. Our trade and notes and other payables remained relatively stable at RMB1,704.6 million as of December 31, 2022 and RMB1,767.6 million as of April 30, 2023, respectively.

The following table sets forth our trade and notes payable turnover days for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,
	2020	**2021**	**2022**	**2023**
Trade and notes payable turnover days	121.5	105.7	110.6	126.3

Note: Trade and notes payable turnover days are calculated by the average of the beginning and ending balance of trade and notes payables for the year/period divided by cost of sales for the year/period and multiplied by the number of days during the year/period.

The decrease in our trade and notes payable turnover days in 2021 was mainly because we accelerated payments to suppliers in view of the increase in prices of batteries in 2021. The increase in our trade and notes payable turnover days in 2022 was primarily because our suppliers no longer requested payments in advance that much compared with 2021 as the prices of raw materials dropped in the year. The increase in our trade and notes payable turnover days for the four months ended April 30, 2023 was primarily attributable to less advance payments to suppliers during the period.

As of July 31, 2023, RMB799.5 million, or 96.8%, of our trade payables as of April 30, 2023 had been settled subsequently. As of July 31, 2023, RMB403.0 million, or 53.4%, of our notes payable as of April 30, 2023 had been settled subsequently.

Contract Liabilities

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from distributors for sales of electric vehicles	57,132	82,888	96,384	63,382

Our contract liabilities come from the advance from distributors for sales of electric vehicles. Our contract liabilities increased by 45.1% from RMB57.1 million as of December 31, 2020 to RMB82.9 million as of December 31, 2021, and further increased by 16.3% to RMB96.4 million as of December 31, 2022, primarily due to our business expansion. Our contract liabilities decreased by 34.2% from RMB96.4 million as of December 31, 2022 to RMB63.4 million as of April 30, 2023, primarily due to the relative high balance of contract liabilities at year end when distributors usually started stocking for the Spring Festival holidays next year whereas January to April was in the off-season of the year for electric vehicle sales.

As of July 31, 2023, RMB49.2 million, or 77.6%, of our contract liabilities as of April 30, 2023 had been recognized as revenue subsequently.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Borrowings	155,912	666,051	656,586	944,079	1,048,172
Lease liabilities	4,384	2,588	5,108	3,330	7,671
Balances due to related parties					
– Trade payables	4,280	2,130	–	941	381
– Non-trade payables	–	40,371	–	–	–
Total	**164,576**	**711,140**	**661,694**	**948,350**	**1,056,224**

Borrowings

The following table sets forth our borrowings as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Borrowings included in non-current liabilities:					
– Bank loans-secured	–	188,000	375,424	450,442	448,523
– Bank loans-unsecured	–	–	50,000	49,400	49,158
Less: Current portion of long-term borrowings					
– Bank loans-secured	–	(45,000)	(54,500)	(5,400)	(5,400)
– Bank loans-unsecured	–	–	(1,200)	(1,200)	(1,200)
Total non-current borrowings	**–**	**143,000**	**369,724**	**493,242**	**491,081**
Borrowings included in current liabilities:					
– Bank loans-secured	20,024	40,451	3,132	10,237	10,011
– Bank loans-unsecured	85,888	207,000	104,000	84,000	68,734
– Other borrowings	30,000	200,600	124,030	350,000	471,746
– Other financial institution borrowings-secured	20,000	30,000	–	–	–
Add: Current portion of long-term borrowings					
– Banks loans-secured	–	45,000	54,500	5,400	5,400
– Bank loans-unsecured	–	–	1,200	1,200	1,200
Total current borrowings	**155,912**	**523,051**	**286,862**	**450,837**	**557,091**
Total borrowings	**155,912**	**666,051**	**656,586**	**944,079**	**1,048,172**

Our borrowings increased significantly by 327.2% from RMB155.9 million as of December 31, 2020 to RMB666.1 million as of December 31, 2021 to satisfy our financial needs for the construction of our Guangxi Plant and the expansion of our Zhejiang Plant. Our borrowings remained relatively stable at RMB656.6 million as of December 31, 2021 and 2022. Our borrowings further increased by 43.8% from RMB656.6 million as of December 31, 2022 to RMB944.1 million as of April 30, 2023 primarily due to the increases in both non-current bank loans and other borrowings. Our borrowings increased by 11.0% from RMB944.1 million as of April 30, 2023 to RMB1,048.2 million as of July 31, 2023, primarily due to an increase in other borrowings of RMB121.7 million representing discounted bank notes. We obtained medium or long-term bank loans to replace our short-term bank loans to improve our liquidity. The increase in other borrowings, which represented the borrowings from discount of bank notes, was to supplement our working capital.

Certain of our bank loans and other borrowings during the Track Record Period were secured by mortgages over our property, plant and equipment, right-of-use assets, the Group's equity interest in Guangxi Luyuan and trade receivables of a subsidiary of the Group, see note 14 and 15 to the Accountant's Report included in Appendix I to this prospectus for details.

Our borrowings are denominated in RMB. As of December 31, 2020, 2021 and 2022 and April 30, 2023, the weighted average effective interest rates of our bank borrowings were 4.28%, 3.95%, 3.55% and 3.67%, respectively.

The balances of other borrowings represented the borrowings from discount of our bank notes.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable loan agreements we entered into with the banks. We are not subject to other material financial covenants under any agreements with respect to any bank loans or other borrowings. There was no delay or default in the repayment of borrowings during the Track Record Period. Taking our financial position into consideration, we are able to abide by these covenants amid current market conditions and that our capital raising abilities were not materially affected as of July 31, 2023.

As of July 31, 2023, our Group had banking facilities of RMB1,515.0 million for bank loans, bank acceptance bills and letter of credit, of which RMB1,014.7 million had been utilized.

Lease Liabilities

The following table sets forth a summary of our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current	3,299	2,140	2,798	1,559	3,179
Non-current	1,085	448	2,310	1,771	4,492
Total	**4,384**	**2,588**	**5,108**	**3,330**	**7,671**

During the Track Record Period, we entered into leases with third parties primarily for our warehouse. Our lease liabilities amounted to RMB4.4 million, RMB2.6 million, RMB5.1 million, RMB3.3 million and RMB7.7 million as of December 31, 2020, 2021 and 2022, April 30, 2023 and July 31, 2023, respectively. The decrease in our lease liabilities in 2021 and the four months ended April 30, 2023 was primarily due to our rent payments. The increase in our lease liabilities in 2022 was primarily due to an increase in our leased property because we leased more space in our warehouse in Shanghai. The increase in our lease liabilities from RMB3.3 million as of April 30, 2023 to RMB7.7 million as of July 31, 2023 was primarily due to the renewal of certain leases.

Balance Due to Related Parties

During the Track Record Period, our balance due to related parties consisted of trade payables and non-trade payables due to related parties. Trade payables due to related parties amounted to RMB4.3 million, RMB2.1 million, nil and RMB0.9 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Non-trade payables due to related parties amounted to nil, RMB40.4 million, nil and nil as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Non-trade payables due to related parties had been fully settled by December 31, 2022 and we will no longer have any balance due to related parties that is non-trade in nature in the future.

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

No Other Outstanding Indebtedness

Save as disclosed above and in note 37(c) to the Accountant's Report included in Appendix I to this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of July 31, 2023, being our indebtedness statement date. Our Directors confirm that, as of the Latest Practicable Date, there was no material change in the Company's indebtedness since July 31, 2023.

RELATED PARTY TRANSACTION

We enter into transactions with our related parties from time to time. For details, see note 37 to the Accountant's Report included in Appendix I to this prospectus. During the Track Record Period, substantially all of our balances with related parties were trade in nature. The balances with related parties that were non-trade in nature had been settled as of the Latest Practicable Date. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, and did not distort our results of operations or make our historical results unreflective of our future performance.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

Capital Expenditures

Our capital expenditures amounted to RMB85.9 million, RMB346.1 million, RMB233.7 million, RMB66.8 million and RMB80.8 million for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023 respectively. Our capital expenditures are primarily used for the expansion of our production capacities, including the construction of additional production facilities and the upgrading of our existing machinery and equipment, such as the construction of our Guangxi Plant in 2021 and 2022 and the expansion of our Zhejiang Plant in 2022.

For the year ending December 31, 2023, our capital expenditures are estimated to be RMB201.3 million. We plan to finance such capital expenditures through cash generated from our operations, bank loans and the net proceeds from the Global Offering. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition.

Capital Commitments

The following table sets forth our capital expenditures contracted but not yet incurred as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	10,963	62,918	26,380	37,721

KEY FINANCIAL RATIOS

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

	For the year ended/ As of December 31,			For the four months ended/As of April 30,
	2020	**2021**	**2022**	**2023**
Return on equity[1] (%)	8.3%	11.2%	19.0%	17.6%[6]
Return on assets[2] (%)	2.6%	2.8%	4.0%	3.7%[6]
Current ratio[3] (times)	0.92	0.88	0.99	1.04
Quick ratio[4] (times)	0.72	0.68	0.78	0.86
Gearing ratio[5] (%)	32.0%	119.4%	97.3%	131.5%

Notes:

1. Return on equity equals profit for the year/period divided by the average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.

2. Return on assets equals profit for the year/period divided by the average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

3. Current ratio equals current assets divided by current liabilities as of the same date.

4. Quick ratio equals current assets less inventories and divided by current liabilities as of the same date.

5. Gearing ratio equals total debt, comprising borrowings and lease liabilities, divided by total equity as of the same date and multiplied by 100%.

6. Calculated on an annualized basis.

Return on Equity

Our return on equity increased from 8.3% in 2020 to 11.2% in 2021, primarily due to the growth of our net profit. Our return on equity increased from 11.2% in 2021 to 19.0% in 2022, primarily due to the growth of our net profit in 2022. Our return on equity decreased from 19.0% in 2022 to 17.6% (annualized) for the four months ended April 30, 2023, primarily due to the seasonality of our results of operations as our sales are usually relatively higher in July, August and September of each year. See "– Significant Factors Affecting Our Results of Operations – Seasonality" in this section for details.

Return on Assets

Our return on assets remained relatively stable at 2.6% and 2.8% in 2020 and 2021, respectively. Our return on assets increased from 2.8% in 2021 to 4.0% in 2022, primarily due to the growth of our net profit in 2022. Our return on assets decreased from 4.0% in 2022 to 3.7% (annualized) for the four months ended April 30, 2023, primarily due to the seasonality of our results of operations.

Current Ratio

Our current ratio decreased from 0.92 as of December 31, 2020 to 0.88 as of December 31, 2021, primarily due to the increase in our short-term bank loans which were included in current liabilities to (i) satisfy our financial needs for the construction of our Guangxi Plant and our new factory in Zhejiang Plant and (ii) maintain a healthy level of cash due to the expanded sales to corporate and institutional clients in 2020, which usually had a longer payment collection period than sales to other kind of customers. Our current ratio increased from 0.88 as of December 31, 2021 to 0.99 as of December 31, 2022, and further increased to 1.04 as of April 30, 2023, primarily due to the increase in our cash and cash equivalents attributable to our cash flows generated from operating activities and a slow-down in our long-term investments.

Quick Ratio

Our quick ratio decreased from 0.72 as of December 31, 2020 to 0.68 as of December 31, 2021, primarily due to the increase in our short-term bank loans which were included in current liabilities. Our quick ratio increased from 0.68 as of December 31, 2021 to 0.78 as of December 31, 2022, and further increased to 0.86 as of April 30, 2023, primarily due to the increase in our cash and cash equivalents attributable to our cash flows generated from operating activities and a slow-down in our long-term investments.

Gearing Ratio

Our gearing ratio increased significantly from 32.0% as of December 31, 2020 to 119.4% as of December 31, 2021, primarily due to the increase in our borrowings for the construction of our Guangxi Plant and our new factory in Zhejiang Plant. Our gearing ratio decreased from 119.4% as of December 31, 2021 to 97.3% as of December 31, 2022, primarily due to an increase in retained earnings. Our gearing ratio increased from 97.3% as of December 31, 2022 to 131.5% as of April 30, 2023, primarily because (i) we increased our bank borrowings to ensure liquidity, and (ii) we obtained medium or long-term loans in order to replace our short-term loans which would due in the near future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks including foreign exchange, interest rate, price, credit and liquidity risks in the normal course of our business. For details of the risks we are exposed to, see note 3.1 to the Accountant's Report included in Appendix I to this prospectus.

DIVIDEND POLICY

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to our Shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our Shareholders such interim dividends as appear to our Directors to be justified by the profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Our Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC Law requires that dividends be paid only out of the profit for the year calculated according to accounting principles in mainland China. PRC Law also requires a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have any fixed dividend policy.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$78.1 million or 10.5% of the gross proceeds of the Global Offering (including underwriting commission of approximately HK$29.9 million, and non-underwriting related expenses of approximately HK$48.2 million which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK$30.2 million and other fees and expenses of approximately HK$18.0 million, assuming an Offer Price of HK$7.00 per Share, being the mid-point of the indicative Offer Price range). During the Track Record Period, we incurred listing expenses of RMB27.6 million, of which RMB0.2 million, RMB15.1 million, RMB2.8 million and RMB4.1 million were recognized in the consolidated income statements and consolidated statements of comprehensive income for the year ended December 31, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively, and RMB54,000, RMB5.7 million and RMB8.2 million was recognized as prepayments in the consolidated balance sheets as of December 31, 2021 and 2022 and April 30, 2023, respectively, which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of RMB44.0 million prior to and upon completion of the Global Offering, of which (i) RMB13.2 million is expected to be recognized as expenses in our consolidated income statements and consolidated statements of comprehensive income, and (ii) RMB30.8 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

DISTRIBUTABLE RESERVES

As of April 30, 2023, the Company had distributable reserves of RMB22.7 million.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support for us. As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to the section headed "Unaudited Pro Forma Financial Information" as set out in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since April 30, 2023, being the end of the Track Record Period, and there is no event since April 30, 2023 which would materially affect the information shown in the Accountant's Report, the contents of which are set out in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Capitalization Issue, Mr. Ni, through Drago Investments and Best Expand, and Ms. Hu, through Apex Marine and Best Expand, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 65.08% of the issued share capital of our Company. Drago Investments is wholly owned by Mr. Ni. Apex Marine is wholly owned by Ms. Hu. Best Expand is owned as to 50% by Mr. Ni and 50% by Ms. Hu. Accordingly, Mr. Ni, Ms. Hu, Drago Investments, Apex Marine and Best Expand will continue to be our Controlling Shareholders under the Listing Rules.

For details of Mr. Ni and Ms. Hu, see the section headed "Directors and Senior Management – Directors."

COMPETING INTERESTS

Each of our Controlling Shareholders and Directors confirms that he/she/it or his/her/its respective close associates do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

The day-to-day management of the business of our Group rests primarily with our Board and our senior management as of the Latest Practicable Date. Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Although (i) Mr. Ni is the chairman of our Board, an executive Director, one of our Controlling Shareholders and a director of Apex Marine, Drago Investments and Best Expand, respectively; and (ii) Ms. Hu is an executive Director, our chief executive officer, one of our Controlling Shareholders and a director of Apex Marine, Drago Investments and Best Expand, respectively, our management and operational decisions are made by all our executive Directors and senior management, most of whom have served our Group for a long time and all of whom have substantial experience in the industries in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. See the section headed "Directors and Senior Management" for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board and provide independent advice to our Board committees. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting. Any connected transactions between our Group and our Controlling Shareholders or their respective associates will be subject to the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (if applicable) for a connected transaction as appropriate. We have established an internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, technology, equipment, access to customers and suppliers, and employees to operate our business independently from our Controlling Shareholders. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. None of our joint company secretaries, operational personnel or administrative personnel is under the employment of our Controlling Shareholders or their respective close associates. We have also established a set of internal control measures to facilitate the effective operation of our business.

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system and we make financial decisions independently according to our own business needs. We have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their respective close associates. In addition, our Group has sufficient capital and credit facilities to operate our business independently, and has adequate internal resources and credit profile to support our daily operations. We do not rely on our Controlling Shareholders and/or their respective close associates by virtue of their provision of financial assistance.

Our Directors confirm that all non-trade amounts due to or from, and loans or guarantees provided by our Controlling Shareholders and their respective close associates, will be fully repaid or released before the Listing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

With respect to any future financial assistance to be provided to, or received from, our connected persons, including our Controlling Shareholders, our Group shall comply with the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval as appropriate, and undertake to provide or receive such financial assistance on normal commercial terms or better.

Based on the above, our Directors believe that we have the ability to operate independently from our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management – Directors – Independent non-executive Directors";

(d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements;

(e) pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's expense; and

(f) we have appointed Jun Hui International Finance Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

DIRECTORS

The Board currently consists of eight Directors, comprising three executive Directors, one non-executive Director and four independent non-executive Directors. The functions and duties of our Board include convening general meetings, implementing the resolutions passed at general meetings, determining business and investment plans, formulating our annual financial budget and financial accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Ni Jie (倪捷)	61	Co-founder, chairman of our Board and executive Director	May 12, 2003	July 16, 2010	Formulating the development strategies and overseeing the management and research of our Group	Husband of Ms. Hu Jihong and father of Ms. Ni Boyuan
Ms. Hu Jihong (胡繼紅)	58	Co-founder, executive Director and chief executive officer	May 12, 2003	July 16, 2010	Responsible for the overall management and operation of our Group	Wife of Mr. Ni Jie and mother of Ms. Ni Boyuan
Mr. Chen Guosheng (陳郭勝)	48	Executive Director, chief financial officer and a joint company secretary	January 1, 2012	December 12, 2013	Responsible for financial and capital management and product risk control of our Group	None
Mr. David Ross Dingman (alias Mr. David R. Dingman)	37	Non-executive Director	April 8, 2022	April 8, 2022	Providing advice and making recommendations to our Board	None
Mr. Wu Xiaoya (吳小亞)	50	Independent non-executive Director	July 1, 2022	July 1, 2022	Providing independent advice and judgment to our Board	None

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Peng Haitao (彭海濤)	65	Independent non-executive Director	July 1, 2022	July 1, 2022	Providing independent advice and judgment to our Board	None
Mr. Liu Bobin (劉伯斌)	50	Independent non-executive Director	July 1, 2022	July 1, 2022	Providing independent advice and judgment to our Board	None
Mr. Chan Chi Fung Leo (陳志峰)	44	Independent non-executive Director	June 19, 2023	June 19, 2023	Providing independent advice and judgment to our Board	None

Executive Directors

Mr. Ni Jie (倪捷), aged 61, is our co-founder, chairman of our Board and executive Director. He is the husband of Ms. Hu Jihong and father of Ms. Ni Boyuan. Mr. Ni is primarily responsible for formulating the development strategies and overseeing the management and research of our Group. He was also the chairman of the board of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) from May 2003 to December 2017 and the president since January 2018, where he was primarily responsible for formulating development strategies and overseeing the overall management and research operation of the company.

Mr. Ni has over 34 years of experience in product development, including more than 25 years of experience in the electric two-wheeled vehicle industry. Prior to establishing our Group, Mr. Ni served various positions roles at the Zhejiang Jinhua Welding Equipment and Materials Factory (浙江金華焊接設備材料廠), including the chief engineer and deputy factory manager from February 1989 to May 1994, where he was responsible for the development of welding equipment and materials production. In addition, from July 1997 to May 2003, Mr. Ni served as the chairman of the board of Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司), an electric two-wheeled vehicle manufacturer. Mr. Ni, who worked for Ningbo University (寧波大學) in the PRC from July 1986 to February 1990, was a business and economics lecturer at the university.

Mr. Ni has been the vice chairman of the technical committee of the China Bicycle Association (中國自行車協會) since November 2019 and was awarded first prize in the Science and Technology Invention Award in the Liquid Cooled Integrated Motors category, first prize in the Science and Technology Progress Award in the Double Cabin High Speed Motors category and second prize in the Science and Technology Progress Award in the Technology Development of High Efficiency Liquid Cooled Motors for Electric Vehicles category by the China National Light Industry Council (中國輕工業聯合會) in March 2023, March 2022 and January 2021, respectively. He was also a member of the standing committee of the 5th, 6th, 7th and 8th Jinhua City, Zhejiang Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議浙江省金華市委員會).

Mr. Ni has acquired rich industry experience and obtained a number of industry awards, including being selected as one of the top 10 businessmen in Zhejiang (風雲浙商) in 2005, the second session of leading figure of China's industrial industry (第二屆中國工業行業領軍人物) by the China Industrial Economy Annual Person Selection Office (中國工業經濟年度人物評選活動辦公室), one of the top 10 industry persons (電動車行業十大風雲人物) by China Energy Power (中國能源動力) in 2013, one of the top 10 industry persons (電動車行業十大風雲人物) by China Network Television (央視網) in 2010 and being awarded as a meritorious entrepreneur in Zhejiang province (浙江省功勳企業家) by Zhejiang Enterprise Federation (浙江省企業聯合會), Zhejiang Entrepreneur Association (浙江省企業家協會) and Zhejiang Industrial Economy Federation (浙江省工業經濟聯合會), collectively, in 2018.

In addition, Mr. Ni has served a number of positions in the following committees and organizations, including the president of the Zheshang National Council Presidium (浙商全國理事會主席團主席) in 2010 and 2011, the vice chairman of the ninth council of the China Bicycle Association (中國自行車協會第九屆理事會副理事長) in 2018 and the vice president of the alumni association of University of Science and Technology of China (中國科學技術大學校友會副會長) in 2021.

Mr. Ni received his master's degree in engineering majoring in communication and electronic systems and bachelor's degree in engineering majoring in radio electronics from the University of Science and Technology of China (中國科學技術大學) in the PRC in October 1986 and July 1983, respectively. Mr. Ni obtained the qualification certificate of engineering issued by Jinhua Municipal People's Government in December 1993 and obtained the professional qualification as certified senior engineer issued by the Zhejiang Machinery Industry Federation (浙江省機械工業聯合會) in December 2019.

Ms. Hu Jihong (胡繼紅), aged 58, is our co-founder, executive Director and chief executive officer. She is the wife of Mr. Ni Jie and mother of Ms. Ni Boyuan. Since May 2003, she has been our president where she is primarily responsible for the overall management and operation of our Group. Ms. Hu has over 25 years of experience in the electric two-wheeled vehicle industry. She served various positions at Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), including the president from May 2003 to December 2017 and has been the chairman of its board since January 2018, where she is primarily responsible for planning and making major decisions for the company and overseeing the management and daily operations of the company.

Prior to establishing our Group, Ms. Hu who worked for Ningbo University (寧波大學) in the PRC from June 1988 to February 1989, was a mathematics lecturer at the university. From February 1989 to May 1994, she was the deputy factory manager of Zhejiang Jinhua Welding Equipment and Materials Factory (浙江金華焊接設備材料廠) where she was responsible for the development of welding equipment and materials production. Ms. Hu was also the president of Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司) from July 1997 to May 2003, where she was primarily responsible for planning and making major decisions for the company and overseeing the management and daily operations of the company.

Ms. Hu is a representative of the 12th Shandong Provincial People's Congress and has been the vice chairperson of the China Fashion and Color Association (中國流行色協會) since December 2019. In addition, Ms. Hu was awarded the Jinhua Outstanding Entrepreneur (Golden Bull Award) (金華市優秀企業家(金牛獎)稱號) by the Organization Department of the Jinhua Municipal Committee of the Communist Party of China (中共金華市委組織部), the New Economy and New Social Organization Working Committee of the Jinhua Municipal Committee of the Communist Party of China (中共金華市委新經濟與新社會組織工作委員會), the Jinhua Economic and Information Commission (金華市經濟和信息化委員會), the Jinhua Federation of Trade Unions (金華市總工會), the Jinhua Enterprise Federation (金華市企業聯合會) and the Jinhua Entrepreneurs Association (金華市企業家協會), collectively, in 2013 and the 5th Zhejiang Outstanding Female Entrepreneur (浙江省第五屆浙商女傑稱號) by Zhejiang Private Enterprise Development Federation (浙江省民營企業發展聯合會), Zhejiang Association for the Promotion of Regional Economic Cooperation Enterprise Development (浙江省區域經濟合作企業發展促進會), Zhejiang Administration for Industry and Commerce News Center (浙江省工商行政管理局新聞中心), Zhejiang Market Association (浙江省市場協會) and Market Guide (市場導報社), collectively, in 2012.

Ms. Hu received her master's and bachelor's degree in power system and automation from Hefei University of Technology (合肥工業大學) in the PRC in July 1988 and August 1985, respectively, and an executive master of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2014.

Mr. Chen Guosheng (陳郭勝), aged 48, is our executive Director and chief financial officer. He is primarily responsible for financial and capital management and product risk control of our Group. Mr. Chen has been the vice president of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) since January 2012.

Prior to joining our Group, Mr. Chen worked as a lawyer in Shanghai Zhengguan Changhong Law Firm (上海正貫長虹律師事務所) and also in Zhejiang Lianhao Law Firm (浙江聯浩律師事務所) from 2003 to 2004 and from 2006 to 2011.

Mr. Chen graduated from Ningbo University (寧波大學) in the PRC with a major in law in July 2002. He obtained the Legal Profession Qualification Certificate of the PRC issued by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in September 2002.

Non-executive Director

Mr. David Ross Dingman (alias Mr. David R. Dingman), aged 37, joined our Group in April 2022 and is our non-executive Director. He is primarily responsible for providing advice and making recommendation to our Board.

Mr. Dingman has over 12 years of experience in investment and corporate development. He served as an investment analyst at Shipston Group Limited, a private equity firm focused on both international and domestic investments across a wide range of industries, including automotive, biotech, real estate and fintech, from June 2011 to April 2013 and as a vice president at Shipston Group US Inc., a company focused on the automotive parts supply industry, from April 2013 to January 2015, where he was primarily responsible for acquisition integration and the identification of entities that could be purchased and combined into the group. He has been the president at Shipston Group Limited since January 2015 where he directed the reorganization and prioritization of investments with the focus on the monetization of legacy investments through both private and public market transactions. He has also been the vice president of Redbird Capital Partners, a private equity firm focused on both international and domestic investments across a wide range of industries, since February 2021, where he is primarily involved in the sourcing and due diligence process involved with new investment opportunities, as well as the management and oversight of the firm's investments. In addition, he has been a director and a member of the audit committee of Mobex Global International, Inc., a company that provides component parts for the mobility, industrial, commercial, and agricultural industries in the U.S., since 2018.

Mr. Dingman received his bachelor's degree in arts from Boston College in the United States in May 2008.

Independent non-executive Directors

Mr. Wu Xiaoya (吳小亞), aged 50, was appointed as our independent non-executive Director in July 2022. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Wu has over 15 years of experience in audit. Prior to joining our Group, he served as the head of the firm at Anhui Huawan Accounting Firm (安徽華皖會計師事務所) from November 2007 to December 2012, where he was primarily responsible for the provision of audit and assurance services. Mr. Wu is also the managing partner of Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)) and has been the head of Anhui branch of Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)安徽分所) since 2014.

Mr. Wu currently serves as the independent director of four companies, namely, NanJi E-Commerce Co., Ltd. (南極電商股份有限公司), a company listed on the SZSE (stock code: 002127) which is engaged in e-commerce and brand authorisation services and mobile internet marketing, since June 2018, Anhui A-rising New Energy Incorporated Company (安徽安瑞升新能源股份有限公司), a company listed on NEEQ (stock code: 834489) that is primarily engaged in the wholesale and sales of compressed natural gas in parent station and substation, since December 2019, Yiwu Technology Co., Ltd. (壹物科技股份有限公司), a company principally engaged in the production and sales of polymer materials and electrostatic protective materials for semiconductor liquid crystals, since April 2020 and Anhui Jing Sai Technology Co., Ltd. (安徽晶賽科技股份有限公司), a company listed on NEEQ (stock code: 871981) that is principally engaged in the design, research and development and production and sales of quartz crystal oscillator and its packaging materials, since April 2021. From April 2016 to May 2022, Mr. Wu also served as the independent director of Anhui Yangzi Floor Co., Ltd. (安徽揚子地板股份有限公司), a company listed on NEEQ (stock code: 430539) that is principally engaged in the research and development, production and sales of flooring.

Mr. Wu has been a certified public accountant granted by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in the PRC since June 2001. He graduated from the Southwestern University of Finance and Economics (西南財經大學) in the PRC with a major in finance in September 2004 through distance learning.

Mr. Peng Haitao (彭海濤), aged 65, was appointed as our independent non-executive Director in July 2022. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Peng has extensive years of experience in the organization, operation, management and development of markets, consumers and enterprises. From April 2013 to July 2021, Mr. Peng was the legal representative of Inspiring (Shanghai) Investment Management Co., Ltd. (盈思百靈(上海)投資管理有限公司), a company that was principally engaged in investment management and consultation, where he was primarily responsible for overseeing the overall management of the company. Prior to that, Mr. Peng served a number of positions in various companies including, personnel director of Pfizer Pharmaceuticals Limited, a pharmaceutical company whose parent company, Pfizer Inc., is listed on the New York Stock Exchange (stock code: PFE), in September 1990.

Mr. Peng received his bachelor's degree in engineering majoring in relay protection and power system automation from Northeast Electric Power University (東北電力大學), formerly known as Northeast China Institute of Electric Power Engineering (東北電力學院), in the PRC in July 1983. He subsequently received his master's degree in business administration from The State University of New York in the United States in June 1991.

Mr. Liu Bobin (劉伯斌), aged 50, was appointed as our independent non-executive Director in July 2022. He is primarily responsible for providing independent advice and judgment to our Board.

From July 1996 to September 2008, Mr. Liu worked at Nanjing Zhongxing Software Co., Ltd. (南京中興軟件有限責任公司), a telecommunication equipment manufacturer. Since August 2008, Mr. Liu has been working in Shanghai Zxelink Co., Ltd. (上海中興易聯通訊股份有限公司), formerly known as Shanghai Zhongxing Telecom Equipment Technologies Corporation (上海中興通訊技術股份有限公司), which was delisted from NEEQ since February 2021 and is a subsidiary of ZTE Corporation, a company focused in the research and development of telecommunication products, and is currently serving as the director and general manager.

Mr. Liu received his bachelor's degree in engineering from Tsinghua University (清華大學) in the PRC in July 1996 and subsequently received his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in October 2014.

Mr. Chan Chi Fung Leo (陳志峰), aged 44, was appointed as our independent non-executive Director in June 2023. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Chan has over 20 years of experience in finance and accounting industry. From September 2001 to March 2004, he was a staff accountant at Ernst & Young, where he was mainly responsible for auditing. From January 2005 to June 2006, he was an executive at Kingsway Group Services Limited, where he was mainly responsible for IPO and merger and acquisition projects. From June 2006 to July 2007, he was an associate at the corporate finance department of CCB International Capital Limited. From August 2007 to December 2011, he worked at BNP Paribas (Asia Pacific) Limited and his last position was an associate at the corporate finance department, where he was mainly responsible for IPO and merger and acquisition projects. From December 2011 to April 2015, he worked for CITIC Securities International Company Limited, and his last position was a director at corporate finance department, where he was mainly responsible for IPO and merger and acquisition projects. From May 2015 to April 2016, Mr. Chan was a deputy managing director of VBG Capital Limited, where he was mainly responsible for IPO and merger and acquisition projects. From May 2016 to October 2017, Mr. Chan was the managing director of LY Capital Limited, where he was mainly responsible for IPO and merger and acquisition projects. Since October 2017, Mr. Chan is the managing director of Red Solar Capital Limited, where he is mainly responsible for IPO and merger and acquisition projects.

Since August 2017, Mr. Chan has been an independent non-executive director of Sisram Medical Ltd, a listed company on the Stock Exchange (stock code: 1696). Since June 2018, Mr. Chan has also been an independent non-executive director of Ziyuanyuan Holdings Group Limited, a listed company on the Stock Exchange (stock code: 8223). From October 2020 to June 2023, Mr. Chan was also an independent non-executive director of Jinke Smart Service Group Co., Ltd. (stock code: 9666).

Mr. Chan obtained his bachelor's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan has been a member of Hong Kong Institute of Certified Public Accountants since October 2005.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Mr. Ni, our executive Director, the chairman of our Board and co-founder, was a director, supervisor or general manager of the following companies which were either incorporated in Hong Kong or established in the PRC prior to their deregistration/suspension/strike off/business license revoked:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Jinhua Economic Development Zone Xinda Architectural Decoration Engineering Co., Ltd. (金華經濟發展區新大建築裝飾工程有限公司)	Construction and decoration	Voluntarily deregistered	Termination of business operation	July 7, 1999
The first sales department of Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司第一門市部)	Electric bicycles and parts retail	Voluntarily deregistered	Termination of business operation	August 20, 2002
Jinhua Luyuan Electric Vehicle Co., Ltd. Bayi South Street Sales Department (金華市綠源電動車有限公司八一南街門市部)	Electric bicycles and parts retail	Voluntarily deregistered	Termination of business operation	October 10, 2005
Jinhua Luyuan Electric Vehicle Co., Ltd. Hangzhou Branch (金華市綠源電動車有限公司杭州分公司)	Electric bicycles and parts wholesale and retail	Business license revoked	Failure to submit deregistration filings within the time limit as required under the relevant PRC Law	October 28, 2006

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Beijing Luyuan North Trade Co., Ltd. (北京綠源北方商貿有限公司)	Wholesale	Business license revoked	Failure to submit deregistration filings within the time limit as required under the relevant PRC Law	December 26, 2007
Jinhua Huayi Vacuum Electronics Co., Ltd. (金華市華一真空電子有限公司)	Electronic equipment wholesale	Suspended	Not in operation	November 25, 2009
Zhejiang Luyuan Power Supply Co., Ltd. (浙江綠源動力電源有限公司)	Battery technology research and sale	Voluntarily deregistered	Termination of business operation	January 6, 2011
Jinhua Abel Intelligent Battery Co., Ltd. (金華艾貝爾智能電池有限公司)	Battery technology research and sale	Voluntarily deregistered	Termination of business operation	December 30, 2011
Luyuan Investment Holding Group Co., Ltd. (綠源投資控股集團有限公司)	Investment holding	Voluntarily deregistered	Dissolved after merger with sub-subsidiary	June 13, 2014
Jinhua Shitong New Energy Co., Ltd. (金華世通新能源有限公司)	Electricity, heat production and supply	Voluntarily deregistered	Dissolved after merger with sub-subsidiary	July 25, 2014
Jinhua Hongzi Agricultural Development Co., Ltd. (金華紅子農業發展有限公司)	Agricultural development	Voluntarily deregistered	Dissolved after the reorganization of enterprises	June 13, 2018
Jinhua Luyuan Electric Vehicle Co., Ltd. Ningbo Branch (金華市綠源電動車有限公司寧波分公司)	Electric bicycles and parts wholesale and retail	Voluntarily deregistered	Termination of business operation	March 7, 2020

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Jinhua Luyuan Electric Vehicle Co., Ltd. Hangzhou Second Branch (金華市綠源電動車有限公司杭州第二分公司)	Electric bicycles and parts wholesale and retail	Voluntarily deregistered	Termination of business operation	November 5, 2020
Hongkong Rainbow Holdings Limited (香港蘭寶集團有限公司)	Investment holding	Dissolved by striking off	Not in operation	July 16, 2021
Zhejiang Hongzi Information Technology Co., Ltd. (浙江紅子信息科技有限公司)	Investment holding	Voluntarily deregistered	Dissolved after capital reduction of Zhejiang Luyuan	June 23, 2022

Mr. Ni confirmed that, to the best of his knowledge, (i) each of the deregistered/suspended/strike off/business license revoked companies above was solvent immediately prior to its deregistration/suspension/strike off/business license revoked and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, acting or proceeding from the authorities in mainland China and Hong Kong companies registry as a result of the deregistration/suspension/strike off/business license revoked; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration/suspension/strike off/business license revoked.

Ms. Hu, our executive Director, chief executive officer and co-founder, was a director, supervisor or general manager of the following companies which were either incorporated in Hong Kong or established in the PRC prior to their deregistration/strike off/business license revoked:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Beijing Luyuan North Trade Co., Ltd. (北京綠源北方商貿有限公司)	Wholesale	Business license revoked	Failure to submit deregistration filings within the time limit as required under the relevant PRC Law	December 26, 2007
Jinhua Abel Intelligent Battery Co., Ltd. (金華艾貝爾智能電池有限公司)	Battery technology research and sale	Voluntarily deregistered	Termination of business operation	December 30, 2011
Luyuan Investment Holding Group Co., Ltd. (綠源投資控股集團有限公司)	Investment holding	Voluntarily deregistered	Dissolved after merger with sub-subsidiary	June 13, 2014
Jinhua Shitong New Energy Co., Ltd. (金華世通新能源有限公司)	Electricity, heat production and supply	Voluntarily deregistered	Dissolved after merger with sub-subsidiary	July 25, 2014
Zhengzhou Luyuan Electric Vehicle Sales Co., Ltd. (鄭州綠源電動車銷售有限公司)	Electric bicycles and parts wholesale and retail	Voluntarily deregistered	Termination of business operation	June 22, 2016
Linyi Luling Property Service Co., Ltd. (臨沂市綠領物業服務有限公司)	Property holding	Voluntarily deregistered	Dissolved after merger with sub-subsidiary	October 10, 2019
Jinhua Rainbow Machinery Co., Ltd. (金華市彩虹機械有限公司)	Electric bicycles parts manufacturing and retail	Voluntarily deregistered	Termination of business operation	April 8, 2020

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Hongkong Rainbow Holdings Limited (香港蘭寶集團有限公司)	Investment holding	Dissolved by striking off	Not in operation	July 16, 2021

Ms. Hu confirmed that, to the best of her knowledge, (i) each of the deregistered/strike off/business license revoked companies above was solvent immediately prior to its deregistration/suspension/strike off/business license revoked and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) she has not received any notification in respect of penalty, acting or proceeding from the authorities in mainland China and Hong Kong companies registry as a result of the deregistration/suspension/strike off/business license revoked; and (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the deregistration/suspension/strike off/business license revoked.

Mr. Chen, our executive Director and chief financial officer was a supervisor of the following company which was established in the PRC prior to its deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Linyi Luling Property Service Co., Ltd. (臨沂市綠領物業服務有限公司)	Property holding	Voluntarily deregistered	Dissolved after merger with sub-subsidiary	October 10, 2019

Mr. Chen confirmed that, to the best of his knowledge, (i) the deregistered company above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, acting or proceeding from the authorities in mainland China as a result of the deregistration; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Mr. Wu, our independent non-executive Director, was a supervisor of the following companies which were established in the PRC prior to their deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Anhui Tiandao Enterprise Management Consulting Co., Ltd. (安徽天道企業管理諮詢有限公司)	Consulting	Voluntarily deregistered	Termination of business operation	May 26, 2020
Anhui Xindadi Agricultural Technology Development Co., Ltd. (安徽鑫大地農業科技開發有限公司)	Agricultural development	Voluntarily deregistered	Termination of business operation	October 25, 2021

Mr. Wu confirmed that, to the best of his knowledge, (i) each of the deregistered companies above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, acting or proceeding from the authorities in mainland China as a result of the deregistration; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Mr. Peng, our independent non-executive Director, was a supervisor or general manager of the following companies which were established in the PRC prior to their deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Shanghai Yunying Culture Communication Co., Ltd. (上海韻盈文化傳播有限公司)	Design, production and sale of small leathered goods	Voluntarily deregistered	Termination of business operation	March 5, 2021
Inspiring (Shanghai) Investment Management Company (盈思百靈(上海)投資管理有限公司)	Investment management and consultation	Voluntarily deregistered	Termination of business operation	September 14, 2021

Mr. Peng confirmed that, to the best of his knowledge, (i) each of the deregistered companies above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, acting or proceeding from the authorities in mainland China as a result of the deregistration; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Mr. Liu, our independent non-executive Director, was a director of the following company which was established in the PRC prior to its deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Shandong Bobei Information Technology Co., Ltd. (山東博貝信息科技有限公司)	Communications technology development	Voluntarily deregistered	Termination of business operation	September 2, 2019

Mr. Liu was also a director of Zhongxing Jiucheng Internet Technology Wuxi Co., Ltd. (中興九城網絡科技無錫有限公司) ("**Zhongxing Jiucheng**") when it commenced bankruptcy reorganization. As of the Latest Practicable Date, Mr. Liu is not a director of Zhongxing Jiucheng and has ceased to hold any position with it. To the knowledge of Mr. Liu, Zhongxing Jiucheng is validly existing as of the Latest Practicable Date.

Mr. Liu confirmed that, to the best of his knowledge, (i) the deregistered company above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, acting or proceeding from the authorities in mainland China as a result of the deregistration or the said bankruptcy reorganization of Zhongxing Jiucheng; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration or the said bankruptcy reorganization of Zhongxing Jiucheng.

Mr. Chan, our independent non-executive Director, was a director of the following company which was incorporated in the Cayman Islands prior to its dissolution:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Shockley Technology Holdings Limited (肖克利科技控股有限公司)	Investment holding	Voluntarily struck off	Cessation of business	December 30, 2022

Mr. Chan confirmed that, to the best of his knowledge, (i) the dissolved company above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, acting or proceeding from the authorities in the Cayman Islands as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Save as disclosed in this prospectus, each of our Directors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management team, in addition to the executive Directors listed above, are responsible for the day-to-day management and operation of our business. For information concerning our executive Directors see "– Directors – Executive Directors." The table below sets out certain information regarding our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors or senior management members
Mr. Chen Wensheng (陳文勝)	53	Vice president of research and development	May 13, 2003	December 12, 2013	Responsible for overall research and development of our Group, including research and development of product and technology	None
Mr. Ding Xiao (丁霄)	39	Vice president of domestic channel sales	June 27, 2006	December 12, 2013	Responsible for managing domestic sales channels	None
Ms. Ni Boyuan (倪博原)	31	Vice president of marketing	March 19, 2018	January 1, 2021	Responsible for marketing of our Group, including brand promotion, retail operation and product planning	Daughter of Mr. Ni Jie and Ms. Hu Jihong

Mr. Chen Wensheng (陳文勝), aged 53, was appointed as our vice president in December 2013. He is primarily responsible for overall research and development of our Group, including research and development of product and technology.

Prior to joining our Group, Mr. Chen worked for Zhejiang Jinhua Patent Technology Development Research Institute (浙江省金華專利技術開發研究所) from August 1992 to August 1996, an institute that focuses on patent technology development and application. Mr. Chen then served as the electronics workshop director at Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司) from July 1997 to December 1999, and as technical manager from January 2000 to May 2003. Mr. Chen joined our Group in May 2003 and served various positions at Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), a wholly-owned subsidiary of our Company, including the technical manager, assistant general manager and the director of the testing centre from May 2003 to December 2004, the assistant director of the technology center from January 2005 to December 2005, the director of the production center from January 2006 to December 2006, the deputy general manager from January 2007 to December 2008, the general manager of the research and development center from January 2009 to December 2012, the general manager of the technology center from January 2010 to December 2010, the vice president of the research and development and the director of the research and development center from January 2013 to September 2013, the general manager of the east China business unit from October 2013 to December 2017 and the vice president since November 2015.

Mr. Chen graduated from Zhejiang Machinery Industrial School (浙江機械工業學校), now known as Zhejiang Institute of Mechanical and Electrical Engineering (浙江機電職業技術學院) in the PRC, in July 1992 with a major in electrification in industrial enterprises and subsequently graduated from Jinhua Polytechnic College (金華職業技術學院) in the PRC in June 2011 in which he specialized in mechanical and electrical equipment maintenance and management.

Mr. Ding Xiao (丁霄), aged 39, was appointed as our vice president in December 2013. He is primarily responsible for managing domestic sales channels.

Mr. Ding joined our Group as the assistant to the chairman of the board of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), a wholly-owned subsidiary of our Company, in June 2006, and was redesignated as the brand center director and the deputy general manager of the marketing center from January 2010 to September 2012. Since October 2012, Mr. Ding has been the vice president of marketing of Zhejiang Luyuan Electric Vehicle Co., Ltd., primarily responsible for managing domestic channel sales.

Mr. Ding received his bachelor's degree in management in July 2005 from Zhejiang Chinese Medical University (浙江中醫藥大學), formerly known as Zhejiang College of Traditional Chinese Medicine (浙江中醫學院), in the PRC.

Ms. Ni Boyuan (倪博原), aged 31, was appointed as our vice president in January 2021. She is the daughter of Mr. Ni Jie and Ms. Hu Jihong. Ms. Ni is primarily responsible for marketing of our Group, including brand promotion, retail operation and product planning. Prior to joining our Group, she led the management and operations of Hangzhou Luling Internet Technology Co., Ltd (杭州綠領網絡科技有限公司), a software development company, as an executive director from March 2015 to September 2016. Since then, she has been the chairperson of the board of Hangzhou Luling Internet Technology Co., Ltd (杭州綠領網絡科技有限公司). She joined our Group in March 2018 as the assistant to the chairman of the board of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), a wholly-owned subsidiary of our Company, she was then the director of new retail department from January 2019 to December 2020 and has been the vice president since January 2021.

Ms. Ni received her bachelor's degree in arts from Mount Holyoke College in the United States in May 2015.

Save as disclosed in this prospectus, none of our senior management members has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Chen Guosheng (陳郭勝), was appointed as one of our joint company secretaries with effect from Listing. See "– Directors – Executive Directors" above for his information.

Ms. Chu Cheuk Ting (朱卓婷), was appointed as one of our joint company secretaries with effect from Listing. Ms. Chu currently serves a manager of the listing services department of TMF Hong Kong Limited and is responsible for the provision of corporate secretarial and compliance services to listed company clients. She has over 12 years of experience in the corporate service field. Ms. Chu is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Chu holds a bachelor of arts degree from The Hong Kong Polytechnic University and a master of science in professional accounting and corporate governance from the City University of Hong Kong.

BOARD COMMITTEES

We have formed four board committees, namely, the audit committee of the Board (the "**Audit Committee**"), the remuneration committee of the Board (the "**Remuneration Committee**"), the nomination committee of the Board (the "**Nomination Committee**") and the strategic and investment committee of the Board (the "**Strategic and Investment Committee**").

Audit Committee

Our Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three members, namely Mr. Wu Xiaoya, Mr. Peng Haitao and Mr. Liu Bobin, our independent non-executive Directors. Mr. Wu Xiaoya has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of independent non-executive Directors, being Mr. Liu Bobin and Mr. Wu Xiaoya and executive Director, Ms. Hu Jihong. Mr. Liu Bobin has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. The Nomination Committee consists of independent non-executive Directors, being Mr. Liu Bobin and Mr. Wu Xiaoya and executive Director, Ms. Hu Jihong. Mr. Liu Bobin has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors.

Strategic and Investment Committee

The Strategic and Investment Committee consists of executive Directors, being Mr. Ni Jie and Ms. Hu Jihong and independent non-executive Director, Mr. Peng Haitao. Mr. Ni Jie has been appointed as the chairman of the Strategic and Investment Committee. The primary duties of the Strategic and Investment Committee are to conduct research on the long-term strategic planning, investment policies and major investment projects of the Company and make recommendations, to monitor and follow up on such major investment projects, and to review and consider the overall investment direction and business development of the Company.

BOARD DIVERSITY

We have adopted our board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board. Our Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.

Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code. After Listing, our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

Our Board comprises eight members, including three executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Directors, ranging from 37 years old to 65 years old, are able to bring a balance of diversity perspectives to our Board. We will take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. While we recognize that male directors take the majority of our current Board and the gender diversity at the Board level can be further improved, we will continue to apply the principle of appointments based on merit with reference to our diversity policy as a whole. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of two female directors or 20% female representation on our Board, during the period we are listed on the Stock Exchange. To further ensure gender diversity of our Board in the long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time and maintain a list of such female individuals who possess qualities to become our Board members in order to develop a pipeline of potential successors to our Board, and our Board and our Nomination Committee will assess our board composition annually in accordance with Appendix 14 of the Listing Rules. We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to further enhance the effectiveness of our corporate governance. Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out above, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management members who have the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to senior management or our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver in Relation to Management Presence in Hong Kong."

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rules 3.28 and 8.17 of the Listing Rules in relation to the academic or professional qualifications of our Company's joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver in Respect of Joint Company Secretaries."

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the CG Code and the associated Listing Rules after the Listing.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) for the three years ended December 31, 2022 and the four months ended April 30, 2023 was approximately RMB1.4 million, RMB1.4 million, RMB3.6 million and RMB1.3 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during the three years ended December 31, 2022 and the four months ended April 30, 2023 was approximately RMB2.2 million, RMB2.3 million, RMB5.5 million and RMB2.0 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately RMB4.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this prospectus.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2022 and the four months ended April 30, 2023. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2022 and the four months ended April 30, 2023 by our Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISER

We have appointed Jun Hui International Finance Limited as our compliance adviser (the "**Compliance Adviser**") upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment of the Compliance Adviser shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue, and without taking into account any Shares which may be issued under the Post-IPO Share Scheme, the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		Shares held as of the date of this prospectus		Immediately after the Global Offering and the Capitalization Issue	
Name of shareholder	Nature of interest	Number of Shares held or interested	Approximate percentage of shareholding in the total issued share capital[2]	Number of Shares held or interested	Approximate percentage of shareholding in the total issued share capital[3]
Mr. Ni[4,6,7]	Interest in controlled corporation Interest of spouse	27,766,400	86.77%	277,664,000	65.08%
Ms. Hu[4,5,7]	Interest in controlled corporation Interest of spouse	27,766,400	86.77%	277,664,000	65.08%
Apex Marine[5]	Beneficial owner	13,120,000	41.00%	131,200,000	30.75%
Drago Investments[6]	Beneficial owner	13,120,000	41.00%	131,200,000	30.75%
Shipston[8]	Beneficial owner	2,560,000	8.00%	25,600,000	6.00%
Shipston EVL Holdings Limited[8]	Interest in controlled corporation	2,560,000	8.00%	25,600,000	6.00%
Shipston Group Limited[8]	Interest in controlled corporation	2,560,000	8.00%	25,600,000	6.00%
Stonor Group Limited[8]	Interest in controlled corporation	2,560,000	8.00%	25,600,000	6.00%
David R. Dingman[8]	Interest in controlled corporation	2,560,000	8.00%	25,600,000	6.00%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 32,000,000 Shares in issue as at the date of this prospectus.

3. The calculation is based on the total number of 426,667,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, and without taking into account any Shares which may be issued under the Post-IPO Share Scheme.

4. Mr. Ni and Ms. Hu are spouses. By virtue of the SFO, each of them is deemed to be interested in the Shares in which the other is deemed to be interested upon the Listing.

5. Apex Marine is wholly-owned by Ms. Hu. By virtue of the SFO, Ms. Hu is deemed to be interested in the Shares held by Apex Marine upon the Listing.

6. Drago Investments is wholly-owned by Mr. Ni. By virtue of the SFO, Mr. Ni is deemed to be interested in the Shares held by Drago Investments upon the Listing.

7. Best Expand, which will hold 15,264,000 Shares immediately following the completion of the Global Offering and the Capitalization Issue, is owned as to 50% by Mr. Ni and 50% by Ms. Hu. By virtue of the SFO, each of Mr. Ni and Ms. Hu is deemed to be interested in the Shares held by Best Expand upon the Listing.

8. Shipston, a Pre-IPO Investor, is an investment vehicle wholly-owned by Shipston EVL Holdings Limited. Shipston EVL Holdings Limited is wholly-owned by Shipston Group Limited. Shipston Group Limited is wholly-owned by Stonor Group Limited, which is wholly-owned by Mr. David R. Dingman, our non-executive Director. Accordingly, each of Shipston EVL Holdings Limited, Shipston Group Limited, Stonor Group Limited and Mr. David R. Dingman is deemed to be interested in the total number of Shares held by Shipston.

Save as disclosed above and in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix IV, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalization Issue, and assuming that no Shares are issued under the Post-IPO Share Scheme, have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering and the Capitalization Issue:

Authorized share capital

	Number of shares	Total nominal value
		US$
As of the Latest Practicable Date	500,000,000	50,000
Immediately following the completion of the Global Offering and the Capitalization Issue	1,000,000,000	100,000

Issued and to be issued, fully paid or credited to be fully paid upon completion of the Global Offering

The issued share capital of our Company immediately following the completion of the Global Offering and the Capitalization Issue will be as follows:

Number of shares	Description of shares	Total nominal value	Approximate percentage of issued share capital
		US$	*%*
32,000,000	Shares in issue at the date of this prospectus	3,200	7.50
288,000,000	Shares to be issued pursuant to the Capitalization Issue	28,800	67.50
106,667,000	Shares to be issued pursuant to the Global Offering	10,666.7	25.00
426,667,000	Shares in total	42,666.7	100.00

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. The above table does not take into account any Shares which may be issued under the Post-IPO Share Scheme, or which may be allotted and issued or repurchased by our Company under the general mandate for the allotment and issuance of Shares or the general mandate for repurchase of Shares granted to our Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares will rank equally in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its share capital; (ii) consolidate and divide all or any of its capital into Shares of larger amount than the existing Shares; (iii) subdivide its existing Shares or the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum and Articles of Association; and (iv) cancel any Shares which have not been taken. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Cayman Companies Act. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – Summary of the Constitution of the Company – 2. Articles of Association – 2.4 Alteration of capital" in Appendix III.

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, all or any of the rights attached to the Shares or any class of Shares may, subject to the Cayman Companies Act, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued Shares of that class or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate general meeting of the holders of the Shares of that class. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – Summary of the Constitution of the Company – 2. Articles of Association – 2.3 Variation of rights of existing shares or classes of shares" in Appendix III.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares subject to a restriction that the aggregate number of Shares allotted or agreed to be allotted must not exceed the aggregate of:

(i) 20% of the total number of our Shares in issue upon completion of the Global Offering (excluding any Shares which may be issued under the Post-IPO Share Scheme); and

(ii) the total number of Shares repurchased by our Company under the authority referred to in the paragraph headed "– General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in general meeting.

For further details of the general mandate to issue Shares, please refer to the section headed "Statutory and General Information – A. Further Information about Our Group – 4. Resolutions in Writing of the Shareholders of Our Company Passed on August 21, 2023" in Appendix IV.

GENERAL MANDATE TO REPURCHASE SHARES

Subject the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of our Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued under the Post-IPO Share Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the rules and regulations of the SFC, the Stock Exchange, the Cayman Companies Act and all other applicable laws. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of our own securities are set out in the section headed "Statutory and General Information – A. Further Information about Our Group – 6. Repurchases of Our Own Securities" in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For further details of the general mandate to repurchase Shares, please refer to the section headed "Statutory and General Information – A. Further Information about Our Group – 6. Repurchases of Our Own Securities" in Appendix IV.

SHARE INCENTIVE SCHEMES

We have adopted the Pre-IPO Share Scheme and conditionally adopted the Post-IPO Share Scheme. The principal terms of the Pre-IPO Share Scheme and the Post-IPO Share Scheme are summarized in the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV.

FUTURE PLANS

See the section headed "Business – Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK$7.00 per Offer Share, being the mid-point of the Offer Price range from HK$6.00 to HK$8.00 per Offer Share, will be approximately HK$668.6 million, after deduction of underwriting fees and commissions and other estimated expenses paid and payable by us in relation to the Global Offering. We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 30.0%, or HK$200.6 million, is expected to be used for our research and development efforts to maintain our technical edge. In particular:

  (i) approximately 24.0%, or HK$160.5 million, will be used for the research and development of new and upgraded products as well as technologies. We plan to offer IoT-enabled vehicles to enhance user convenience and experience. We intend to launch products with new materials and new structural design to improve overall quality and durability of our products while reducing weight. We also plan to optimize and improve technologies currently in use and develop new technologies that will improve consumer convenience and meet evolving market trends. Overall, we plan to develop 45 and 50 new or upgraded product models in 2023 and 2024, respectively;

  (ii) approximately 3.0%, or HK$20.1 million, will be used to recruit additional research and development personnel, including high caliber talents specializing in areas including battery swapping, IoT technologies, software programing, circuit design and structural simulation. We expect to newly recruit approximately 30 research and development personnel in 2023 and 2024 and their expected salary per year per person is expected to range between RMB0.2 million to RMB1.0 million matching the market rate; and

  (iii) approximately 3.0%, or HK$20.1 million, will be used for other research and development costs, such as purchasing and upgrading research and development equipment to enhance our research and development infrastructure and support our research and development personnel. Such equipment may include high-speed electric motorcycle testing machine, high-power motor dynamometer, motor controller power analyzer, vehicle EMC testing room, electronic circuit laboratory equipment and data monitoring equipment.

  Our total spending in this connection will depend on, among other things, our business development and revenue growth, in the event that the actual amount of net proceeds available for these plans is insufficient to cover our total spending, the shortfall will be met by our internal resources and/or bank borrowings. For further details, see "Business – Strategies – Further enhance our research and development capabilities to solidify our position in product and technology" and "Business – Strategies – Continue to attract, train and motivate talented professionals".

- approximately 30.0%, or HK$200.6 million, is expected to be used to strengthen our sales and distribution channels and for branding and marketing activities to raise our brand awareness. In particular:

(i) approximately 18.0%, or HK$120.3 million, will be used for the expansion of our distributor retail outlets across China. We will continue to optimize our sales and distribution network by implementing tailored strategies for each tier (strategic, key and general). For example, for the strategic tier, such as Jinan and Hangzhou, we plan to attract more high-quality distributors and open larger retail outlets to boost our brand influence. We also plan to enhance our management over our network of distributors in mainland China, mainly through enhancing distributor and retail outlet support and management capacities as well as optimizing our distribution network by closely monitoring the performance of our distributors; For further details, see "Business – Strategies – Further upgrade, expand and optimize the layout of our sales and distribution network".

In line with our growth strategies to expand and optimize the layout of our sales and distribution network, we plan to further develop 6,000 and 5,000 new retail outlets in 2023 and 2024, respectively. Set forth below is a breakdown of the approximate proportion of new retail outlets expected to be developed by region for the years ended December 31, 2023 and 2024:

Region	**Years ended December 31, 2023 and 2024**
Eastern China	55%
Central and Southern China	28%
Northern China	8%
Southwestern China	5%
Other regions	4%

(ii) approximately 9.0%, or HK$60.2 million, will be used for branding and marketing activities. We plan to invest in branding and marketing campaigns such as text and video content marketing on social media platforms and engage internet celebrities to promote our products to their audiences. We expect to sponsor variety shows and dramas to attract consumers, especially those of younger generations; For further details, see "Business – Strategies – Further enhance brand awareness and increase market share in mainland China".

(iii) approximately 1.5%, or HK$10.0 million, will be used to enhance our online channels and bring online traffic to our physical retail outlets, which we believe will enhance the visibility of our brand and products and make our products more accessible to potential consumers. Specifically, in addition to leveraging online marketing activities described above, we plan to establish an online user platform which will cover a user rewards points system and value-added services to help us establish direct relationships with users of our products and enhance their stickiness. We intend to improve consumers' online shopping experience by standardizing product delivery, installation and after-sales service for each individual online customer, including providing standardized training to our logistics staff which directly interact with such customers. In addition, we plan to further expand our online sales on e-commerce platforms and explore other emerging online channels such as social media platforms and live streaming platforms. We also plan to develop online systems through which we will be able to direct orders received by our online stores to offline retail outlets, thereby combining the large online traffic with the convenient offline services of retail outlets, and provide more value-added services to online customers.

(iv) approximately 1.5%, or HK$10.0 million, will be used to expand our sales in international markets, with a focus on the markets in Europe, the U.S. and Southeast Asia, and take advantage of favorable policies globally, including carbon neutral strategies and green mobility policies. To this end, (i) we have formulated detailed expansion plans tailored to different overseas markets based on comprehensive analysis on various aspects including market size, market conditions and regulatory requirements, (ii) we expect to actively seek for cooperative partners in targeted overseas market which shall also advise us on the localization of our products in their respective regional markets. We also intend to develop corporate and institutional customers. For further details, see "Business – Strategies – Steadily expand our business in international markets".

Our total spending in this connection will depend on, among other things, our business development and revenue growth, in the event that the actual amount of net proceeds available for these plans is insufficient to cover our total spending, the shortfall will be met by our internal resources and/or bank borrowings.

- approximately 30.0%, or HK$200.6 million, is expected to be used to strengthen our production capabilities, mainly involving the construction of new production facilities and upgrading of production equipment and machinery. In particular:

  (i) approximately 12.0%, or HK$80.2 million, will be used for acquisition of land use rights and production infrastructure construction in relation to the construction of a new production facility in a Southwestern China city with mature supply chains and supporting resources. Among which, 36.6% or HK$29.3 million will be used for land use right acquisition and 63.4% or HK$50.9 million will be used for the construction of production infrastructure. We expect this new production facility to commence operation in 2024 and the production capacity of this new production facility to reach 2.0 million units annually by the end of 2026;

  (ii) approximately 9.0%, or HK$60.2 million, will be used for the capacity expansion plan of our Shandong Plant. Among which (i) 55.0%, or HK$33.1 million, will be used for procurement and installation of eight assembly lines with ancillary equipment for vehicle assembly, seven welding lines including three welding robots and ancillary equipment for vehicle frames, nine robotic welding lines for vehicle frames and two motor assembly lines with ancillary equipment by the end of 2024 as part of our three phase production plan for our Shandong Plant. Upon completion of the third phase, which is expected to be by 2026, our Shandong Plant is expected to have twelve production lines and its production capacity is expected to increase to approximately 3.5 million units annually, (ii) 25.0%, or HK$15.0 million, will be used for expanding warehouses for turnover of work-in-progress such as vehicle frames and coated plastic parts with an aim to shorten delivery time and reduce production cost of work-in-progress, and (iii) 20.0%, or HK$12.0 million, will be used for construction of a new warehouse; and

  (iii) approximately 9.0%, or HK$60.2 million, will be used for the capacity expansion plan of our Guangxi Plant. Among which (i) 45.0%, or HK$27.1 million, will be used for construction of a new warehouse adopting three-dimensional racks to increase storage capacity, (ii) 30.0%, or HK$18.1 million, will be used for procurement and installation of production machinery and equipment before the end of 2024 to facilitate capacity expansion, including five tire retreading machines, three assembly lines, one automated assembly line, six automatic coil winding machines, one laser cutting machine and other ancillary equipment, and (iii) 25.0%, or HK$15.0 million, will be used for expanding warehouses for turnover of work-in-progress such as vehicle frames and coated plastic parts with an aim to shorten delivery time and reduce production cost of work-in-progress.

  Our total spending in this connection will depend on, among other things, our business development and revenue growth, in the event that the actual amount of net proceeds available for these plans is insufficient to cover our total spending, the shortfall will be met by our internal resources and/or bank borrowings. For further details, see "Business – Strategies – Further enhance production capacity to support rapid business growth."

Our expansion plan is determined based on a number of strategic considerations, including market demands and price for the relevant products, utilization of the existing production facilities, competitive landscape for the target market, estimated development cost, availability and cost of capital resources, our historical results of operations and growth potential as well as our ongoing communications with our customers and consumers. We decided to expand our production capacity in anticipation of our business needs not only to meet the immediate demand in the current year or the coming year but to sustain our business operations in the long-term.

We believe that there will be sufficient demand to support our production expansion plans as well as our distribution network expansion plans based on several reasons including:

(i) The market size and expected growth of mainland China's electric two-wheeled vehicles coupled with demands generated from industry consolidation, replacement needs and industry upgrade:

According to Frost & Sullivan, mainly driven by stricter emission reduction policies and the advancement of e-motor and battery technologies, sales of electric two-wheeled vehicles in mainland China are expected to reach 53.9 million in 2027, representing a CAGR of 4.6% from 2023 to 2027. As a well-known brand in the mainland China's electric two-wheeled vehicle industry that has continuously contributed to industry development, our sales volume increased at a CAGR of 28.4% from 2020 to 2022, far exceeding the industry average of 12.9% of mainland China's electric two-wheeled vehicle market during the same period, according to Frost & Sullivan. As a result, our market share in terms of total revenue in mainland China increased from 3.8% in 2020 to 4.2% 2022, according to Frost & Sullivan. In view of our track record as well as our competitive strengths, we aim to implement our expansion plans and expect to grow at a target CAGR above the projected growth rate of mainland China's electric two-wheeled vehicles, according to Frost & Sullivan.

According to Frost & Sullivan, with the promulgation of the New National Standards and other policies, the electric two-wheeled vehicle industry has entered a stage of industry consolidation, where 2,000 electric two-wheeled vehicles manufacturers operated in mainland China at its peak, but only around 100 of the manufacturers as of 2021 could meet the requirements of the New National Standards. The implementation of the New National Standards has and will continue to eliminate unqualified manufacturers, which are expect to create substantial underserved market demand. Manufacturers with robust technological strength, sufficient production capacity and a wide distribution network, such as our Group, are expected to benefit from such industry consolidation process, seize new opportunities and capture market share. In addition, our strong growth in terms of sales volume and revenue during the Track Record Period was primarily driven by the significant increase in the number of our retail outlets within our distribution network at a CAGR of 34.2% from over 5,400 as of December 31, 2020 to over 9,800 as of December 31, 2022. As such, we believe our management has accumulated significant experience in distribution network expansion which will help us further increase market share in existing regions and replicate our success in new geographic regions and thereby capture demands generated under the industry consolidation process.

According to Frost & Sullivan, the electric two-wheeled vehicle industry enjoyed a transition period characterized by an increase in market demands due to consumers' replacement needs since the implementation of the New National Standards in 2019 and is expected to enjoy strong replacement needs until 2025. Many cities, such as Wuxi, Tianjin, and Nanning, offered a 5-year transitional period, aiming to avoid unnecessary waste of resources caused by early retirement of electric two-wheeled vehicles that do not meet the requirement of the New National Standards. Going forward, we plan to capture replacement demands with the following measures (i) develop popular models that satisfy the New National Standards and the specific requirements of customers in different regions; (ii) deepen our distribution network, such as increasing retail outlets at local communities where there is more likely to have replacement demand; (iii) further train sales personnel to facilitate and increase sales, (iv) enhance communication with relevant authorities of implementing the New National Standards with an aim to simplify the licensing process for our customers; and (v) further invest in branding and marketing activities to boost our brand image and increase brand visibility.

According to Frost & Sullivan, the implementation of the New National Standards also generated new needs from consumers by promoting standardized production and safe riding. Since the implementation of the New National Standards, there has been increased acceptance among consumers and the public for electric two-wheeled vehicles as a safe, reliable and efficient way of transportation. We have a track record of launching new and popular mid-to-high end products such as Model COLA3, FBZ3 (樂騎05), FBQ (卡樂05), MKK-Ji Ying (極影), MODA2, S10, INNO9, the sales volume of which has exceeded 246.6 thousand units in 2022. We plan to leverage our research and development capabilities and continue to develop products well accepted by customers and leverage our expanded distribution network as well as marketing and branding activities to extend the reach of such products.

Overall, leveraging our competitive strengths that laid the foundation of our historical strong growth during the Track Record Period and through the implementation of our strategies, including further enhancing our brand awareness, production capacity, research and development capabilities and expanding our sales domestically, we plan to seize the trend of industry consolidation, replacement needs and industry upgrade in mainland China, continue to achieve above-average growth and further capture market share.

(ii) The market size and expected growth of the rest of the world

According to Frost & Sullivan, mainly driven by stricter emission reduction policies and the advancement of e-motor and battery technologies, sales of electric two-wheeled vehicles in the rest of the world is expected to reach 53.9 million in 2027, representing a CAGR of 19.4% from 2023 to 2027. Leveraging our strong production and customization capabilities, and the ideal location of our Guangxi Plant, we believe we are well-positioned to capture the potential market demand in international markets. For details, see "Business – Strategies – Steadily expand our business in international markets."

We expect the utilization rates of our production plants to increase along with the growth of our business. Other than our Zhejiang Plant which was in its ramp-up period after the establishment of the new factory in April 2022, utilization rates of 88.2% and 85.5% of our Shandong Plant and Guangxi Plant in 2022, respectively, far exceeded the industry average level of 65% according to Frost & Sullivan. In addition, historically, the utilization rates of our production plants during peak seasons were even higher. As our overall utilization rates during the Track Record Period already substantially exceeds the industry average level, if we do not expand our production capacity, we expect to lose the capability and flexibility to meet demand during peak season. Assuming that we continue to grow at a rate substantially in line with our historical growth rates, demand for our products in 2023 is expected to exceed the aggregated maximum production capacity of our production plants of our three production plants as of December 31, 2022. As such, we expect to be able to fulfil customer demand and the needs of our rapid business growth with the expanded production capacity of our production plants.

- approximately 10.0%, or HK$66.9 million, is expected to be used for working capital and other general corporate purposes.

RANGE OF NET PROCEEDS

If the Offer Price is fixed at HK$8.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$102.4 million. If the Offer Price is fixed at HK$6.00 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK$102.4 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

If the net proceeds of the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit the net proceeds into short-term interest-bearing accounts at licensed banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or relevant PRC laws and regulations, so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

IMPLEMENTATION TIMELINE

The table below sets forth the expected implementation timetable of our planned use of proceeds:

	For the year ending December 31				
	2023	**2024**	**2025**	**Total**	**% of Total**
	(HK$ in millions, except for percentages)				
Research and development	**58.8**	**138.2**	**3.6**	**200.6**	**30.0**
New and upgraded products	43.2	117.3	–	160.5	24.0
Recruitment of R&D personnel	9.6	10.5	–	20.1	3.0
Other R&D costs including purchasing and upgrading R&D equipment	6.0	10.5	3.6	20.1	3.0
Strengthening sales and distribution channels and raising brand awareness	**140.4**	**60.2**	**–**	**200.6**	**30.0**
Expansion and optimization of retail outlets in mainland China	60.2	60.2	–	120.3	18.0
Branding and marketing activities	60.2	–	–	60.2	9.0
Online channels	10.0	–	–	10.0	1.5
Expanding sales in international markets	10.0	–	–	10.0	1.5
Strengthening production capabilities	**30.1**	**170.5**	**–**	**200.6**	**30.0**
New production facility in a Southwestern China city	–	80.2	–	80.2	12.0
Shandong Plant	30.1	30.1	–	60.2	9.0
Guangxi Plant	–	60.2	–	60.2	9.0
Working capital and general corporate purposes	**66.9**	**–**	**–**	**66.9**	**10.0**
Total	**296.1**	**368.9**	**3.6**	**668.6**	**100.0**

The above allocation of use of net proceeds is projected based on our current business plan and the amount of net proceeds that we expect to receive from the Global Offering. If we are unable to raise the expected amount of net proceeds from the Global Offering, we expect to adjust the allocation of the net proceeds for the above purposes on a pro rata basis. In the event that the actual amount of net proceeds available for each plan is insufficient to cover our total spending, the shortfall will be met by our internal resources and/or bank borrowings.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities (including qualified domestic institutional investor(s)) ("**QDII(s)**") to subscribe, at the Offer Price for a certain number of Offer Shares (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$6.00, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 75,228,500 Offer Shares, representing approximately 70.53% of the Offer Shares pursuant to the Global Offering and approximately 17.63% of the total Shares in issue immediately upon completion of the Global Offering (without taking into account any Shares which may be issued under the Post-IPO Share Scheme).

Assuming an Offer Price of HK$7.00, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 64,482,000 Offer Shares, representing approximately 60.45% of the Offer Shares pursuant to the Global Offering and approximately 15.11% of the total Shares in issue immediately upon completion of the Global Offering (without taking into account any Share which may be issued under the Post-IPO Share Scheme).

Assuming an Offer Price of HK$8.00, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 56,421,000 Offer Shares, representing approximately 52.89% of the Offer Shares pursuant to the Global Offering and approximately 13.22% of the total Shares in issue immediately upon completion of the Global Offering (without taking into account any Shares which may be issued under the Post-IPO Share Scheme).

Our Company is of the view that, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in the business and prospect of the Group.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank pari passu in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial shareholder of our Company, and the Cornerstone Investors will not have any Board representation in our Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company and after making reasonable enquiries, (i) each Cornerstone Investor (and, for Cornerstone Investor who will subscribe for our Offer Shares through a QDII, such QDII and the Cornerstone Investor) is independent from our Company, our connected persons and their respective associates and they are not our existing Shareholders; (ii) the Cornerstone Investors are independent from each other; (iii) the Cornerstone Investors are not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it; and (iv) the subscription of Offer Shares pursuant to the Cornerstone Investment Agreements is not directly or indirectly financed by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective subsidiaries or close associate.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure such QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

As confirmed by the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by their internal resources. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. We became acquainted with each of the Cornerstone Investors in its ordinary course of business or through introduction by certain underwriters in the Global Offering or local government department. The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. There will be no delayed delivery or delayed settlement of the Offer Shares to be subscribed by the Cornerstone Investors as there will not be any over-allocation of Shares in connection with the Global Offering and provisions in relation to delayed delivery or delayed settlement of Offer Shares in the relevant cornerstone investment agreements will not be triggered.

To the best knowledge of our Company and as confirmed by each Cornerstone Investors, save as in relation to shareholders of Phylion Battery (as defined and disclosed below), none of the Cornerstone Investors nor their respective shareholders are listed on any stock exchanges. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation". Each of the Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, our Company, the Sole Overall Coordinator and the Sole Sponsor have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investors in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around October 11, 2023.

THE CORNERSTONE INVESTORS

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to the Company's total issued Shares under the Cornerstone Placing.

Based on the Offer Price of HK$6.00 (being the low-end of the Offer Price range)

Cornerstone Investor(1)	Investment Amount(2, 3)	Number of Offer Shares(4)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of Global Offering
	(HK$ in million)			
Jinhua Jinkai	141.82	23,023,000	21.58%	5.40%
Chongqing Dazuhuaiyuan	87.29	14,547,500	13.64%	3.41%
Jinhua Industrial	87.28	14,400,500	13.50%	3.38%
Hainan Dongfang	85.00	14,166,500	13.28%	3.32%
Phylion Battery	54.55	9,091,000	8.52%	2.13%
	455.93	**75,228,500**	**70.53%**	**17.63%**

Notes:

\# All share numbers and amounts are for illustrative purposes only.

1. As defined below.

2. The investment amount of Jinhua Jinkai is inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee, the AFRC transaction levy, bank charges and fees payable by Jinhua Jinkai to the QDII engaged by it in connection with its subscription of Offer Shares under the Cornerstone Placing. Save as the aforesaid, all other investment amounts are exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy.

3. Save for Hainan Dongfang, the investment amount is calculated based on the exchange rate as disclosed in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion". The actual Investment Amount in Hong Kong dollars may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.

4. Rounded down to the nearest whole board lot of 500 Offer Shares and based on the exchange rate as disclosed in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion". The actual number of Offer Shares to be subscribed by the relevant Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.

5. The Offer Shares to be subscribed by Jinhua Jinkai and Jinhua Industrial will be aggregated when counting towards the public float of our Company.

6. No more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders pursuant to Rule 8.08(3) of the Listing Rules. The total number of our Shares upon Listing in public hands will be 106,667,000 Shares. Pursuant to the relevant Cornerstone Investment Agreements entered into by the Company and the Cornerstone Investors, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules cannot be satisfied, the Company, the Sole Sponsor and the Sole Overall Coordinator have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investors in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules (the "**LR8.08(3) Adjustment**").

   For illustrative purpose only, assuming that the three largest public Shareholders are (i) Jinhua Jinkai and Jinhua Industrial, (ii) Chongqing Dazuhuaiyuan and (iii) Hainan Dongfang (that is, no other placees in the international tranche of the Global Offering would invest in amounts more than Hainan Dongfang), in the event that the Offer Price is determined to fall within the range of HK$6.00 to HK$7.44, total number of Shares to be allocated to (i) Jinhua Jinkai and Jinhua Industrial, (ii) Chongqing Dazuhuaiyuan and (iii) Hainan Dongfang will account for more than 50% of the securities in public hands at the time of Listing, therefore the LR8.08(3) Adjustment would be triggered.

   Assuming that the three largest public Shareholders are (i) Jinhua Jinkai and Jinhua Industrial, (ii) Chongqing Dazuhuaiyuan and (iii) Hainan Dongfang (that is, no other placees in the international tranche of the Global Offering would invest in amounts more than Hainan Dongfang), in the event that the Offer Price is determined to be HK$6.00 (being the low-end of the indicate Offer Price range), if there is no adjustment applied, total number of Shares to be allocated to (i) Jinhua Jinkai and Jinhua Industrial, (ii) Chongqing Dazuhuaiyuan and (iii) Hainan Dongfang will be 66,137,500 Shares, representing approximately 62.0% of the Shares in public hands. Under such circumstance, in order to satisfy the requirement under the Rule 8.08(3), the aggregate investment amounts of the three largest public Shareholders (comprising (i) Jinhua Jinkai and Jinhua Industrial, (ii) Chongqing Dazuhuaiyuan and (iii) Hainan Dongfang) will be reduced by RMB76.8 million, in which case the total Offer Shares allocated to the three largest public Shareholders would represent 50.0% of the Shares in public hands.

   Details of the actual number of Offer Shares to be allocated to them will be disclosed in the allotment results announcement to be issued by the Company on or around October 11, 2023.

Based on the Offer Price of HK$7.00 (being the mid-point of the Offer Price range)

Cornerstone Investor(1)	Investment Amount(2, 3)	Number of Offer Shares(4)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering
	(HK$ in million)			
Jinhua Jinkai	141.82	19,734,000	18.50%	4.63%
Chongqing Dazuhuaiyuan	87.29	12,469,500	11.69%	2.92%
Jinhua Industrial	87.28	12,343,500	11.57%	2.89%
Hainan Dongfang	85.00	12,142,500	11.38%	2.85%
Phylion Battery	54.55	7,792,500	7.31%	1.83%
	455.93	**64,482,000**	**60.45%**	**15.11%**

Note:

\# All share numbers and amounts are for illustrative purposes only.

For notes (1) to (6), see "Based on the Offer Price of HK$6.00 (being the low-end of the Offer Price range)" above.

Based on the Offer Price of HK$8.00 (being the high-end of the Offer Price range)

Cornerstone Investor(1)	Investment Amount(2, 3)	Number of Offer Shares(4)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering
	(HK$ in million)			
Jinhua Jinkai	141.82	17,267,000	16.19%	4.05%
Chongqing Dazuhuaiyuan	87.29	10,910,500	10.23%	2.56%
Jinhua Industrial	87.28	10,800,500	10.13%	2.53%
Hainan Dongfang	85.00	10,625,000	9.96%	2.49%
Phylion Battery	54.55	6,818,000	6.39%	1.60%
	455.93	**56,421,000**	**52.89%**	**13.22%**

Note:

\# All share numbers and amounts are for illustrative purposes only.

For notes (1) to (6), see "Based on the Offer Price of HK$6.00 (being the low-end of the Offer Price range)" above.

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

Jinhua Jinkai State Owned Capital Investments Co., Ltd. (金華金開國有資本投資有限公司)

Jinhua Jinkai State Owned Capital Investments Co., Ltd. (金華金開國有資本投資有限公司) ("**Jinhua Jinkai**") is a company established in the PRC and is principally engaged in investment whose portfolios including new energies, smart manufacturing and public health related industries. Jinhua Jinkai is directly wholly-owned by Finance Bureau of Jinhua Economic & Technological Development Zone Management Committee (金華經濟技術開發區管理委員會財政局).

Chongqing Dazuhuaiyuan Construction Investment Co., Ltd (重慶市大足區懷遠建設投資有限公司)

Chongqing Dazuhuaiyuan Construction Investment Co., Ltd (重慶大足區懷遠建設投資有限公司) ("**Chongqing Dazuhuaiyuan**") is a company established in the PRC and is principally engaged in, among others, fundamental facilities construction and investments and sales of construction materials. Chongqing Dazuhuaiyuan is ultimately wholly owned by Chongqing Dazu District Industrial Park Service Center (重慶市大足區工業園區服務中心), a public institution.

Jinhua Industrial Fund Co., Ltd. (金華市產業基金有限公司)

Jinhua Industrial Fund Co., Ltd. (金華市產業基金有限公司) ("**Jinhua Industrial**") is a company established in the PRC and is principally engaged in equity investment, investments in non-listed companies and consultancy services. Jinhua Industrial is held directly or indirectly as to 75% by Jinhua Jintou Group Co., Ltd. (金華市金投集團有限公司) ("**Jinhua Jintou**"), held directly as to 3% by Jinhua Jinkai Lingxin Cornerstone Equity Investment Co., Ltd. (金華金開領信基石股權投資有限公司) ("**Jinhua Jinkai Lingxin**"), and by 10 other shareholders each holding no more than 5% equity interests in Jinhua Industrial. Jinhua Jinkai Lingxin is wholly-owned by Jinhua Jinkai. As Jinhua Jinkai Lingxin holds 3% equity interests in Jinhua Industrial only, Jinhua Industrial is not an associate nor a close associate of Jinhua Jinkai under the Listing Rules. Each of the shareholders of Jinhua Industrial and their respective ultimate beneficial owners is an Independent Third Party of our Company.

Jinhua Jintou is owned as to approximately 93.6% by Jinhua State-owned Assets Supervision and Administration Commission (金華市人民政府國有資產監督管理委員會) and approximately 6.4% by Zhejiang Finance Development Company (浙江省財務開發有限責任公司), which is wholly owned by Zhejiang Province Department of Finance.

Hainan Dongfang Runze Private Equity Fund Management Co., Ltd. (海南東方潤澤私募基金管理有限公司)

Hainan Dongfang Runze Private Equity Fund Management Co., Ltd. (海南東方潤澤私募基金管理有限公司) ("**Hainan Dongfang**") is a company established in the PRC and is principally engaged in private equity investment and management services. Hainan Dongfang is directly owned as to 75% by Li Jianwei (李建偉), 20% by Xu Yingnan (徐英楠) and 5% by Hangzhou Mingjue Zhiyuan Asset Management Co., Ltd. (杭州明玨智遠資產管理有限公司), a company established in the PRC and owned as to 96% by Tu Mingjue (屠明玨) and 4% by Zhang Feiying (章飛英). Each of the shareholders of Hainan Dongfang and their respective ultimate beneficial owner is an Independent Third Party of our Company.

For the purpose of the cornerstone investment, Hainan Dongfang has engaged Galaxy Jinhui, an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such number of Offer Shares on a discretionary basis on behalf of Hainan Dongfang. As Galaxy Jinhui and CGIS (being one of the Joint Lead Managers and Joint Bookrunners) are members of a group of companies controlled by China Galaxy Securities Co., Ltd., Galaxy Jinhui is a connected client of CGIS for the purpose of paragraph 13(7) of Appendix 6 to the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit Hainan Dongfang to participate in the Global Offering through Galaxy Jinhui as a cornerstone investor subject to certain conditions. For details, see "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Proposed Subscription of Offer Shares by Hainan Dongfang through Galaxy Jinhui Securities Asset Management Co., Ltd."

Phylion Battery Co., Ltd. (星恒電源股份有限公司)

Phylion Battery Co., Ltd. (星恒電源股份有限公司) ("**Phylion Battery**") is a company established in the PRC and is principally engaged in the manufacture and production of lithium-ion battery. Phylion Battery had 50 registered shareholders, which comprise of: (i) the single largest shareholder of Phylion Battery, namely Quanzhou Qiyuannachuan New Energy Industry Equity Investment Partnership (Limited Partnership) (泉州市啟源納川新能源產業股權投資合夥企業(有限合夥)) ("**Quanzhou Qiyuan**") which held 17.7% equity interests in Phylion Battery, (ii) one registered shareholder, namely Shenzhen Capital Group for Transformation and Upgrading for Manufacturing Sector (Limited Partnership) (深創投製造業轉型升級新材料基金(有限合夥)) ("**Shenzhen Capital Group**") (which is a limited partnership principally engaged in venture capital and equity investments and the general partner of which is a company whose indirect single largest shareholder is State-owned Assets Supervision and

Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會)) holding 12.9% equity interests in Phylion Battery, (iii) six registered shareholders controlled by Yingke Chuangxin Asset Management Limited (盈科創新資產管理有限公司) holding in aggregate 12.3% equity interests in Phylion Battery ("**Yingke**"), (iv) one registered shareholder, namely Suzhou Paoze Corporate Investment Center (Limited Partnership) (蘇州袍澤企業投資管理中心(有限合夥)) ("**Suzhou Paoze**") (which is a shareholding platform of existing management of Phylion Battery) holding 6.3% equity interests in Phylion Battery, (v) 12 registered shareholders each holding no less than 2% but no more than 5% equity interests in Phylion Battery, (vi) 4 registered shareholders each holding no less than 1% but not more than 2% equity interests in Phylion Battery, and (vii) 25 registered shareholders each holding no more than 1% equity interests in Phylion Battery. The general partner of Quanzhou Qiyuan is Beijing Qiyuanhouji Investment Management Co., Ltd. (北京啟源厚積投資管理有限公司), which is directly held as to 45% by Tan Yang (譚楊), 35% by Chen Yueying (陳月英) and 20% by Ningbo Sisheng Investment Management Partnership (Limited Partnership) (寧波矽盛投資管理合夥企業(有限合夥)), the general partner of which is Tan Yang (譚楊). The limited partners of Quanzhou Qiyuan are (i) Fujian Superpipe Co., Ltd. (福建納川管材科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300198.SZ) which held approximately 44.1% interests in Quanzhou Qiyuan, (ii) Qianhai Equity Investment Fund (Limited Partnership) (前海股權投資基金(有限合夥)) ("**Qianhai Equity**") which held approximately 30.8% interests in Quanzhou Qiyuan and (iii) nine other limited partners each holding no more than 10% interests in Quanzhou Qiyuan. Based on information publicly and currently available, (i) Qianhai Equity has 50 limited partners each holding no more than 5.3% interests in Qianhai Equity; (ii) the general partner of Qianhai Equity is Qianhai Ark Asset Management Co., Ltd. (前海方舟資產管理有限公司) ("**Qianhai Ark**"), a company which is held as to approximately 58.7% by Shenzhen Qianhai Huaize Fangzhou Venture Capital Enterprise (Limited Partnership) (深圳前海淮澤方舟創業投資企業(有限合夥)) ("**Shenzhen Qianhai**"), one other shareholder holding 20% equity interests in Qianhai Ark and nine other shareholders each holding not more than 4% equity interests in Qianhai Ark; and (iii) the general partner of Shenzhen Qianhai is Jiaozuo Huaihai Consulting Service Center (焦作市淮海諮詢服務中心), a public institution, which is also a 88% shareholder of Shenzhen Qianhai.

The board of Phylion Battery comprise of eight members, including (i) two directors nominated by Suzhou Paoze, (ii) one director nominated by each of Quanzhou Qiyuan, Shenzhen Capital Group and Yingke, and (iii) three independent directors.

Save as Ms. Ni, daughter of Mr. Ni and Ms. Hu, who holds approximately 0.5% equity interests in Phylion Battery, each of the other shareholders of Phylion Battery is an Independent Third Party of our Company. Ms. Ni, aged above 18, is not a close associate nor a core connected person of Mr. Ni or Ms. Hu under the Listing Rules. Save as the aforesaid, certain indirect shareholders of Phylion Battery are companies listed on stock exchanges and each of them held an insignificant percentage of equity interests in Phylion Battery.

As confirmed by our Company, Mr. Ni, Ms. Hu, Ms. Ni and Phylion Battery, there is no benefit conferred through Mr. Ni, Ms. Hu or Ms. Ni to Phylion Battery to facilitate the Cornerstone Placing. Phylion Battery has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

On January 1, 2020, we entered into a purchase contract with Phylion Battery (ChuZhou) Co., Ltd. 星恒電源(滁州)有限公司 ("**Phylion Chuzhou**"), a non-wholly owned subsidiary of Phylion Battery, pursuant to which Phylion Chuzhou agreed to supply us lithium-ion batteries upon our request in such quantities as required by us and at prices not less favourable than those offered by Phylion Chuzhou to other Independent Third Parties. The purchase contract is a framework agreement which was entered into on arm's length basis and on normal commercial terms, and in the ordinary course of business of our Company.

In 2020, 2021 and 2022, Phylion Battery and Phylion Chuzhou as a group were one of our top five suppliers. In 2020, 2021 and 2022, our purchases from Phylion Battery and Phylion Chuzhou amounted to RMB50.7 million, RMB108.7 million and RMB243.6 million, respectively, representing 2.5%, 3.6% and 6.1% of our total purchases for the same period, respectively.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and inclusive of the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares it has subscribed pursuant to the Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investors, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited
TFI Securities and Futures Limited
ABCI Securities Company Limited
Guotai Junan Securities (Hong Kong) Limited
CMB International Capital Limited
ICBC International Securities Limited
SPDB International Capital Limited
Daiwa Capital Markets Hong Kong Limited
Valuable Capital Limited
Livermore Holdings Limited
Futu Securities International (Hong Kong) Limited
SBI China Capital Financial Services Limited
China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 10,667,000 Hong Kong Offer Shares and the International Offering of initially 96,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering".

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the **GREEN** Application Form relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice to us from the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if at any time prior to 8:00 a.m. on the Listing Date:

(i) there develops, occurs, exists or comes into effect:

(a) any event, or series of events, whether in continuation or in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms), economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom or the European Union (collectively, the "**Relevant Jurisdictions**");

(b) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(d) any general moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental or regulatory authority in or affecting any of the Relevant Jurisdictions;

(f) the imposition of economic sanctions or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions applicable to the business operations of the Group;

(g) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar, United States dollar or RMB against any foreign currency, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;

(h) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the **GREEN** Application Form, or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Sole Sponsor and the Sole Overall Coordinator;

(i) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors”;

(j) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

(k) any litigation, dispute, legal action or claim (except in connection with those disclosed in this prospectus) being threatened or instigated against any member of the Group, any Controlling Shareholders or any Directors;

(l) there is the commencement by any Authority (as defined in the Hong Kong Underwriting Agreement) of any investigation or action against any Director or members of senior management (as disclosed in this prospectus) in his or her capacity as such, any member of the Group, or any of the Controlling Shareholders, or announcement by any Authority (as defined in the Hong Kong Underwriting Agreement) of its intention to commence such investigate or take any such action;

(m) any contravention by the Company, any member of the Group, any Directors or any Controlling Shareholders of any applicable laws and regulations including the Listing Rules;

(n) any non-compliance of this prospectus, any letters, filings, correspondences, communications, documents, responses, undertakings and submissions in any form, including any amendments, supplements and/or modifications thereof, made or to be made to the CSRC, relating to or in connection with the Global Offering pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the supporting guidelines, which became effective on March 31, 2023, as amended, supplemented or otherwise modified from time to time (the "**Trial Measures**") and other applicable rules and requirements of the CSRC (the "**CSRC Filings**") (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the Trial Measures, the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) issued by the CSRC, Ministry of Finance of the PRC (中華人民共和國財政部), National Administration of State Secrets Protection of the PRC (中華人民共和國國家保密局), and National Archives Administration of the PRC (中華人民共和國國家檔案局) (effective from March 31, 2023), as amended, supplemented or otherwise modified from time to time, or any other applicable laws and regulations; or

(o) any member of senior management of the Company (as disclosed in this prospectus) is being charged with an indictable offence or is prohibited by operation of Laws (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management of a company; or

(p) that a portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(A) has or will or is likely to have a material adverse effect or any development involving a prospective material adverse effect, on or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profit, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or

(B) has or will or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes, will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(D) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Sole Sponsor or Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) that:

(a) any statement contained in the offering documents, the formal notice, the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement), and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering and the Global Offering (including any supplement or amendment thereto (the "**Offer-Related Documents**")) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions when taken as a whole; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus constitutes a material omission therefrom or misstatement in, any of the Offer-Related Documents; or

(c) there is a breach of any of the obligations imposed upon the Company or the Controlling Shareholders or the warranting Directors (namely Mr. Ni and Ms. Hu) (the "**Warranting Directors**") under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(d) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(e) there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole; or

(f) there is a breach of, or any event or circumstances rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company, the Controlling Shareholders and the Warranting Directors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(g) the approval of the Listing Committee of the listing of, and permission to deal in, (i) the Shares in issue and to be issued pursuant to the Global Offering; and (ii) the Shares to be issued pursuant to the Pre-IPO Share Scheme and the Post-IPO Share Scheme on the Main Board of the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(h) the acceptance of the CSRC of the CSRC Filings and the publication of the filing results in respect of the CSRC Filings on its website is rejected or not granted, on or before the date of the Listing, or if granted or accepted, the acceptance is subsequently withdrawn, cancelled, qualified, revoked, invalidated or withheld; or

(i) any person (other than the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(j) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(k) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(l) any executive Director is vacating his or her office or is being charged with an indictable offence or is prohibited by operation of Laws (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management or taking directorship of a company; or

(m) there is any order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that within six months from the Listing Date, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) shall be issued by the Company or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering, any Shares which may be issued pursuant to the Capitalization Issue or upon the exercise of the options granted pursuant to Post-IPO Share Scheme or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our group of Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering and the Capitalization Issue, each of the Controlling Shareholders shall not and shall procure that the relevant registered holders of the Shares in which any of the Controlling Shareholders is beneficially interested shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of their shareholding in the Company is made in this prospectus and ending on the date (the "**End Date**") which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which the Controlling Shareholders are shown to be the beneficial owner in this prospectus (the "**Relevant Shares**"); and

(ii) in the period of six months commencing on the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares to such extent that, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders as a group would cease to be a controlling shareholder of the Company for the purpose of the Listing Rules.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, each of the Controlling Shareholders shall:

(i) when any of the Controlling Shareholders pledge or charge any Shares beneficially owned by the Controlling Shareholders in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when any of the Controlling Shareholders receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company in writing of such indications.

The Controlling Shareholders understand and agree that the Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by any of the Controlling Shareholders and disclose such matters by way of an announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Hong Kong Underwriters, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the capital market intermediaries and the Sole Sponsor that, except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Capitalization Issue, the Global Offering, the issue of any Shares pursuant to the Post-IPO Share Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters (such consent not to be unreasonably withheld or delayed), and unless in compliance with the requirements of the Listing Rules:

(i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, offer or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, right or contract to subscribe for or purchase, grant or purchase any option, warrant, right or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of or create any other encumbrance of any kind ("**Encumbrance**") over, or contract or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to, or publicly announce any intention to enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above, in each case, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise (whether or not the issue of such Shares or securities will be completed within the First Six-Month Period).

In the event that, during the period of the six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (i), (ii), (iii) or (iv) above, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Our Company has further undertaken to the Hong Kong Underwriters, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the capital market intermediaries and the Sole Sponsor that we will not do any of the acts set out in paragraphs (i), (ii), (iii) or (iv) above such that our Controlling Shareholders as a controlling group will, directly or indirectly, cease to be a controlling Shareholder (as defined in the Listing Rules) of our Company during the Second Six-Month Period. For the avoidance of doubt, our Controlling Shareholders as a controlling group would cease to be a controlling shareholder of our Company if (1) there is any change in the shareholders constituting our Controlling Shareholders as a controlling group due to any addition or departure of shareholder(s); (2) there is any material change in the voting interests directly or indirectly held by each Controlling Shareholder in our Company; and/or (3) our Controlling Shareholders as a group fail to maintain an aggregate voting interests of at least 30% in our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of the Hong Kong Underwriters, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the capital market intermediaries and the Sole Sponsor and our Company that:

(i) at any time during the First Six-Month Period, except pursuant to the Global Offering (including the Capitalization Issue), without the prior written consent of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he/she/it will not, and will procure that none of the relevant registered holder(s) or its affiliates or companies controlled by him/her/it, will at anytime during the First Six-Month Period:

    (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or other securities of the Company) beneficially owned by him/her/it (the "**Locked-up Securities**");

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Locked-up Securities;

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer to or contract to or agree to, or publicly announce any intention to enter into, any transaction described in paragraphs (a) or (b) or (c) above,

in each case, whether such transaction described above is to be settled by delivery of any Shares or other securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period);

(ii) during the Second Six-month Period, he/she/it will not, and will procure that none of the relevant registered holder(s) or its affiliates or companies controlled by him/her/it will enter into any of the foregoing transactions in paragraphs (a), (b) or (c) above or offer to or contract to or agree to or publicly announce any intention to effect any such transaction if, immediately following such transaction or upon the exercise or enforcement of any options, rights, interests or encumbrances pursuant to such transaction, the Controlling Shareholders as a controlling group will, directly or indirectly, cease to be a controlling shareholder (as defined in the Listing Rules) of our Company. For the avoidance of doubt, our Controlling Shareholders as a controlling group would cease to be a controlling shareholder of our Company if (1) there is any change in the shareholders constituting our Controlling Shareholders as a controlling group due to any addition or departure of shareholder(s); (2) there is any material change in the voting interests directly or indirectly held by each Controlling Shareholder in our Company; and/or (3) our Controlling Shareholders as a group fail to maintain an aggregate voting interests of at least 30% in our Company;

(iii) until the expiry of the Second Six-Month Period, in the event that he/she/it or the relevant registered holder(s) enters into any such transactions in paragraph (i)(a), (b) or (c) above or offers to or contracts to or agrees to or publicly announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of our Company;

(iv) within the First Six-Month Period and the Second Six-month Period, he/she/it will:

(a) if and when he/she/it or the relevant registered holder(s) pledges or charges any Locked-up Securities, immediately inform our Company, the Sole Overall Coordinator and the Sole Sponsor in writing of such pledge or charge together with the number of Locked-up Securities so pledged or charged; and

(b) if and when he/she/it or the relevant registered holder(s) receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged Locked-up Securities will be disposed of, immediately inform our Company, the Sole Overall Coordinator and the Sole Sponsor in writing of any such indication.

The Company shall, as soon as practicable upon receiving such information in writing from any of the Controlling Shareholders and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Indemnity

Each of our Company, our Controlling Shareholders and the Warranting Directors jointly and severally undertakes to indemnify, hold harmless and keep fully indemnified (on an after-Tax (as defined in the Hong Kong Underwriting Agreement) basis) the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the capital market intermediaries, the Hong Kong Underwriters and each of them (for themselves and on trust for, their respective head offices (including branches thereof), subsidiaries, associates and affiliates, their respective delegates, their respective representatives, partners, directors, officers, employees and agents, all directors, officers, employees and agents of their respective head offices (including branches thereof), subsidiaries, associates and affiliates, and the successors and assigns of all of the foregoing persons for certain losses which they may suffer, including losses arising out of or in connection with their performance of their obligations under the Hong Kong Underwriting Agreement and any material breach by our Company, our Controlling Shareholders or the Warranting Directors of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with, the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set forth therein, agree severally but not jointly to procure purchasers to purchase, or failing which to purchase themselves, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. For further details, see the section headed "Structure of the Global Offering – The International Offering."

Commission and Expenses

The Underwriters and the capital market intermediaries in the Global Offering will receive a commission of 3% of the aggregate Offer Price payable for all the Offer Shares (before the deduction of any fees, taxes and expenses) (the "**Fixed Fees**"). Our Company may also at our sole discretion pay to one or more of the Underwriters or the capital market intermediaries in the Global Offering an additional incentive fee of 1% of the aggregate Offer Price in respect of all the Offer Shares (the "**Discretionary Fees**"). The ratio of Fixed Fees and Discretionary Fees paid or payable to the Underwriters is 75:25 (assuming the incentive fee will be fully paid).

Based on an Offer Price of HK$7.00 (being the mid-point of our Offer Price Range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.00565% per Share, SFC transaction levy of 0.0027% per Share, and AFRC transaction levy of 0.00015% per Share, brokerage fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK$78.1 million.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day-to-day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(i) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(ii) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

HONG KONG UNDERWRITERS' INTERESTS IN THE COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as of the Latest Practicable Date, none of the Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

INDEPENDENCE OF SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Capitalization Issue and the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 10,667,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering – The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 96,000,000 Shares (subject to reallocation as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, as described in "Structure of the Global Offering – The International Offering" below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the total issued share capital of our Company immediately after completion of the Global Offering.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation."

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

Our Company is initially offering 10,667,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.50% of our Company's total issued share capital immediately after the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out below in the section headed "Structure of the Global Offering – Conditions of the Global Offering."

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B.

- The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less.

- The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications and any application for more than 5,333,500 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEX-GL91-18 require a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

(i) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:

(a) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator (for itself and on behalf of the other Underwriters) may, at its sole and absolute discretion (but shall not be under any obligation), reallocate all or any of the unsubscribed Shares from the Hong Kong Public Offering to the International Offering, in such proportions as it deems appropriate;

(b) if the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for under the Hong Kong Public Offering representing less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 10,667,000 Offer Shares may be allocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will increase up to 21,334,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering;

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 21,334,000 Offer Shares will be allocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 32,001,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 32,000,000 Offer Shares to be allocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 42,667,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

(e) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 42,667,000 Offer Shares to be allocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 53,334,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

(ii) In the event that the International Offer Shares are undersubscribed under the International Offering:

(a) if the Hong Kong Offer Shares are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and

(b) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 10,667,000 Offer Shares may be allocated to the Hong Kong Public Offering from the International Offering, so that the total number of Hong Kong Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 21,334,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (ii)(b) above, the final Offer Price shall be fixed at the low end of the indicative Offer Price Range (i.e. HK$6.00 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner and proportions as the Sole Overall Coordinator deems appropriate. The above clawback mechanism complies with paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEX-GL91-18.

In addition, the Sole Overall Coordinator may reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the number of times); or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Sole Overall Coordinator shall reallocate the Offer Shares originally included in the International Offering to the Hong Kong Public Offering, provided that, in accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, (i) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall not be more than 21,334,000 Offer Shares (representing approximately 20% of the total number of Offer Shares initially available under the Global Offering) and the final Offer Price should be fixed at the bottom end of the indicative Offer Price Range (i.e. HK$6.00 per Offer Share).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated any Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, maximum price of HK$8.00 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% on each Offer Share, amounting to a total of HK$4,040.35 for one board lot of 500 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation," is less than the maximum price of HK$8.00 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see section headed "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 96,000,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the International Offering will represent approximately 22.5% of our total issued share capital immediately after completion of the Global Offering.

The International Offering is subject to the same conditions as stated in the section headed "Structure of the Global Offering – Conditions of the Global Offering."

Allocation

The International Offering will include selective marketing of Offer Shares to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

We and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, October 4, 2023, and in any event, not later than Friday, October 6, 2023.

The Offer Price will not be more than HK$8.00 per Offer Share and is expected to be not less than HK$6.00 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK$8.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% fee and AFRC transaction levy of 0.00015%, amounting to a total of HK$4,040.35 for one board lot of 500 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$8.00, we will refund the respective difference, including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of us, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice on our website at **www.luyuan.cn** and the website of the Stock Exchange at **www.hkexnews.hk** (the contents of the website do not form a part of this prospectus). The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Global Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions, and give potential investors who had applied for the Offer Shares the right to withdraw their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the indicative Offer Price Range is reduced, such applications can subsequently be withdrawn unless positive confirmation from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering.

The final Offer Price, the level of indication of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus;

- the Offer Price having been agreed between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters);

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before Friday, October 6, 2023, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on our website at **www.luyuan.cn** and the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 12, 2023, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, October 12, 2023.

The Shares will be traded in board lots of 500 Shares each.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

APPLICATIONS FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

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

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

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

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

1. How To Apply

We will not provide any printed application forms for use by the public. To apply for Hong Kong Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older

The number of joint applicants may not exceed four.

If you are a firm, the application must be in the individual members' names.

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares in the Company and/or any of our subsidiaries;

- you are a Director or chief executive of the Company and/or a director or chief executive officer of any of its subsidiaries;
- you are a close associate (as defined in the Hong Kong Listing Rules) of any of the above persons;
- you are a core connected person (as defined in the Hong Kong Listing Rules) of the Company or will become a core connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus you:

- undertake to execute all relevant documents and instruct and authorize us and/or the Sole Global Coordinator (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

- agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Act;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

- agree that none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

- authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that we, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by **giving electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	4,040.35	8,000	64,645.45	70,000	565,647.60	1,000,000	8,080,680.00
1,000	8,080.68	9,000	72,726.12	80,000	646,454.40	2,000,000	16,161,360.00
1,500	12,121.02	10,000	80,806.80	90,000	727,261.20	3,000,000	24,242,040.00
2,000	16,161.35	15,000	121,210.20	100,000	808,068.00	4,000,000	32,322,720.00
2,500	20,201.70	20,000	161,613.60	200,000	1,616,136.00	5,333,500(1)	43,098,306.78
3,000	24,242.05	25,000	202,017.00	300,000	2,424,204.00		
3,500	28,282.38	30,000	242,420.40	400,000	3,232,272.00		
4,000	32,322.72	35,000	282,823.80	500,000	4,040,340.00		
4,500	36,363.05	40,000	323,227.20	600,000	4,848,408.00		
5,000	40,403.40	45,000	363,630.60	700,000	5,656,476.00		
6,000	48,484.08	50,000	404,034.00	800,000	6,464,544.00		
7,000	56,564.75	60,000	484,840.80	900,000	7,272,612.00		

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

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

5. Applying Through The HK eIPO White Form Service

General

Applicants who meet the criteria in "– Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names in the **IPO App** or on the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

*Time for Submitting Applications under the **HK eIPO White Form** Service*

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, September 28, 2023 until 11:30 a.m. on Wednesday, October 4, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, October 4, 2023, the last day for applications, or such later time as described in "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply for Hong Kong Offer Shares through the **HK eIPO White Form** service, once you have completed payment in respect of an **electronic application instruction** given by you or for your benefit, an actual application will be deemed to have been made by you or for your benefit. However, giving multiple **electronic application instructions** through the **HK eIPO White Form** service and obtaining different application reference numbers without effecting full payment in respect of a particular reference number, that application will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of making more than one application through the **HK eIPO White Form** service or any other channel, all of your applications are liable to be rejected.

6. Applying Through The CCASS EIPO Service

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants though HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a **CCASS** Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
  - confirm that you understand that we, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
  - authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither we nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with us, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Act; and

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, September 28, 2023 – 9:00 a.m. to 8:30 p.m.

Friday, September 29, 2023 – 8:00 a.m. to 8:30 p.m.

Tuesday, October 3, 2023 – 8:00 a.m. to 8:30 p.m.

Wednesday, October 4, 2023 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 28, 2023 until 12:00 noon on Wednesday, October 4, 2023 (24 hours daily, except on Wednesday, October 4, 2023, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, October 4, 2023, the last day for applications, or such later time as described in "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

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

Note:

1. The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;

- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, our Directors, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, October 4, 2023, the last day for applications, or such later time as described in "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("Best Practice Note") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. How Much are the Hong Kong Offer Shares

The maximum Offer Price is HK$8.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK$4,040.35.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section “–Applications for Hong Kong Offer Shares – 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), and the SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and the AFRC respectively).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing and Allocation.”

10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 4, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, October 4, 2023 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made on our website at **www.luyuan.cn** and the website of Hong Kong Stock Exchange at **www.hkexnews.hk**.

11. Publication of Results

We expect to announce the pricing of the Offer Shares on Wednesday, October 11, 2023 on our website at **www.luyuan.cn** and the website of Hong Kong Stock Exchange at **www.hkexnews.hk**.

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, October 11, 2023 on our website at **www.luyuan.cn** and the website of Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our website and the website of Hong Kong Stock Exchange at **www.luyuan.cn** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Wednesday, October 11, 2023;
- from the "IPO Results" function in the **IPO App** and the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, October 11, 2023 to 12:00 midnight on Tuesday, October 17, 2023; and

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, October 11, 2023 to Monday, October 16, 2023 (exclude Saturday, Sunday and public holiday in Hong Kong).

If we accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. Circumstances in Which You Will Not Be Allocated Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If we or our agents exercise discretion to reject your application:

We, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- you apply for more than 5,333,500 Hong Kong Offer Shares, being 50% of the 10,667,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- we or the Sole Global Coordinator believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

13. Refund of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering – Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, October 11, 2023.

14. Dispatch/Collection Of Share Certificates/e-Auto Refund Payment Instructions/Refund Checks

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Wednesday, October 11, 2023. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, October 12, 2023, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

- ***If you apply through the HK eIPO White Form service:***
  - If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 11, 2023, or any other place or date notified by us as the date of dispatch or collection of Share certificates.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 11, 2023 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post and at your own risk.

- ***If you apply through the CCASS EIPO service:***

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 11, 2023 or on any other date determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "– Applications for Hong Kong Offer Shares – 11. Publication of Results" above on Wednesday, October 11, 2023. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 11, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, October 11, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 11, 2023.

15. Admission of the Shares into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LUYUAN GROUP HOLDING (CAYMAN) LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Luyuan Group Holding (Cayman) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-89, which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022 and April 30, 2023, the company balance sheets as at December 31, 2020, 2021 and 2022 and April 30, 2023 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 28, 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and April 30, 2023 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and April 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended April 30, 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative

Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 40 to the Historical Financial Information which states that no dividends have been paid by Luyuan Group Holding (Cayman) Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
September 28, 2023

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period (the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Income Statements

	Note	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Four months ended April 30, 2022	Four months ended April 30, 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*5*	2,378,332	3,417,687	4,783,023	1,161,961	1,651,424
Cost of sales	*8*	(2,092,108)	(3,030,574)	(4,221,691)	(1,057,487)	(1,460,964)
Gross profit		286,224	387,113	561,332	104,474	190,460
Selling and marketing costs	*8*	(121,423)	(192,388)	(259,567)	(53,188)	(98,845)
Administrative expenses	*8*	(61,420)	(64,444)	(89,059)	(26,665)	(27,031)
Research and development costs	*8*	(83,521)	(95,826)	(150,498)	(29,021)	(41,858)
(Provision)/reversal of impairment on financial assets	*3.1.2*	(6,174)	908	(1,650)	(1,368)	1,772
Other income	*6*	29,269	26,816	37,750	12,079	17,964
Other expense	*6*	(5,644)	(4,883)	(6,093)	(1,355)	(739)
Other gains – net	*7*	6,201	11,222	33,567	12,647	3,472
Operating profit		43,512	68,518	125,782	17,603	45,195
Finance income	*10*	6,739	8,142	21,038	1,639	5,317
Finance costs	*10*	(6,911)	(15,383)	(24,773)	(9,596)	(11,561)
Finance costs – net		(172)	(7,241)	(3,735)	(7,957)	(6,244)
Share of results of associates	*18*	(23)	314	201	9	136
Profit before income tax		43,317	61,591	122,248	9,655	39,087
Income tax (expenses)/credit	*12*	(3,036)	(2,331)	(4,218)	6,786	1,953
Profit for the year/period		40,281	59,260	118,030	16,441	41,040
Attributable to:						
Equity holders of the Company		40,293	59,260	118,030	16,441	41,040
Non-controlling interests		(12)	–	–	–	–
		40,281	59,260	118,030	16,441	41,040
Earnings per share for profit attributable to equity holders of the Company – Basic and diluted	*13*	1.26	1.85	3.69	0.51	1.28

Consolidated Statements of Comprehensive Income

	Note	Year ended December 31,			Four months ended April 30,	
		2020	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the year/period		40,281	59,260	118,030	16,441	41,040
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	*21*	403	167	209	(214)	41
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax	*21*	(313)	(797)	731	668	(230)
Items that will not be reclassified to profit or loss:						
Exchange differences on translation of the Company	*21*	(742)	(226)	764	302	(48)
Total comprehensive income for the year/period		39,629	58,404	119,734	17,197	40,803
Attributable to:						
Equity holders of the Company		39,641	58,404	119,734	17,197	40,803
Non-controlling interests		(12)	–	–	–	–
		39,629	58,404	119,734	17,197	40,803

Consolidated Balance Sheets

	Note	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at April 30, 2023
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	422,746	747,690	844,125	875,348
Right-of-use assets	15	60,773	95,084	95,722	93,418
Intangible assets	16	3,429	2,574	1,711	1,527
Investments in associates	18	929	1,243	1,444	1,580
Deferred income tax assets	25	14,734	21,143	17,029	19,086
Other receivables and prepayments	24	24,472	92,532	116,028	135,373
Time deposits	26	71,897	–	–	–
Lease receivables	23	–	–	9,976	5,211
		598,980	960,266	1,086,035	1,131,543
Current assets					
Inventories	22	208,489	388,071	445,672	419,519
Trade and notes and lease receivables	23	137,929	157,870	294,809	305,917
Other receivables and prepayments	24	171,415	316,075	132,632	142,795
Financial assets at fair value through profit or loss	19	63,564	428,027	533,565	581,881
Debt instruments at fair value through other comprehensive income	20	175,832	118,957	95,229	168,314
Time deposits	26	20,004	42,000	119,200	183,650
Restricted cash	27	16,665	32,615	81,820	123,300
Cash and cash equivalents	27	175,370	222,012	395,038	483,587
		969,268	1,705,627	2,097,965	2,408,963
Total assets		1,568,248	2,665,893	3,184,000	3,540,506
Net current (liabilities)/assets		(81,405)	(234,222)	(17,173)	102,215
OWNERS' EQUITY					
Share capital	33	22	22	22	22
Reserves	21	232,321	241,883	247,217	246,980
Retained earnings		269,357	318,199	432,599	473,639
Capital and reserve attributable to equity holders of the Company		501,700	560,104	679,838	720,641
Total equity		501,700	560,104	679,838	720,641

	Note	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at April 30, 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	*32*	–	143,000	369,724	493,242
Provisions	*30*	705	1,689	2,432	2,729
Lease liabilities	*15*	1,085	448	2,310	1,771
Deferred income	*31*	14,085	20,803	14,558	15,375
		15,875	165,940	389,024	513,117
Current liabilities					
Trade and notes and other payables	*28*	818,943	1,306,601	1,704,646	1,767,621
Contract liabilities	*29*	57,132	82,888	96,384	63,382
Borrowings	*32*	155,912	523,051	286,862	450,837
Provisions	*30*	4,510	6,477	4,576	5,794
Lease liabilities	*15*	3,299	2,140	2,798	1,559
Income tax liabilities		10,877	18,692	19,872	17,555
		1,050,673	1,939,849	2,115,138	2,306,748
Total liabilities		1,066,548	2,105,789	2,504,162	2,819,865
Total equity and liabilities		1,568,248	2,665,893	3,184,000	3,540,506

Company Balance Sheets

	Note	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at April 30, 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Interests in subsidiaries	*39*	154,295	154,103	154,862	154,810
		154,295	154,103	154,862	154,810
Current assets					
Other receivables		2	59	5,500	7,813
Cash and cash equivalents		2,301	567	–	2
		2,303	626	5,500	7,815
Total assets		156,598	154,729	160,362	162,625
EQUITY					
Equity attributable to owners of the Company					
Share capital	*33*	22	22	22	22
Reserves	*39*	130,597	130,371	131,135	131,087
Retained earnings	*39*	25,979	24,207	22,811	22,671
Total equity		156,598	154,600	153,968	153,780
LIABILITIES					
Current liabilities					
Other payables		–	129	6,394	8,845
Total liabilities		–	129	6,394	8,845
Total equity and liabilities		156,598	154,729	160,362	162,625

Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital	Reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000 *(Note 33)*	*RMB'000* *(Note 21)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		22	227,969	234,068	462,059	1,081	463,140
Comprehensive income							
Profit/(loss) for the year		–	–	40,293	40,293	(12)	40,281
Currency translation differences		–	(339)	–	(339)	–	(339)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	(313)	–	(313)	–	(313)
Total comprehensive income for the year		–	(652)	40,293	39,641	(12)	39,629
Transactions with owners in their capacity							
Disposal of subsidiaries	*11*	–	–	–	–	(1,069)	(1,069)
Appropriations to statutory reserve		–	5,004	(5,004)	–	–	–
Total transactions with owners in their capacity for the year		–	5,004	(5,004)	–	(1,069)	(1,069)
Balance at December 31, 2020		22	232,321	269,357	501,700	–	501,700

	Note	Attributable to equity holders of the Company					
		Share capital	**Reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
		RMB'000 (Note 33)	*RMB'000 (Note 21)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		22	232,321	269,357	501,700	–	501,700
Comprehensive income							
Profit for the year		–	–	59,260	59,260	–	59,260
Currency translation differences		–	(59)	–	(59)	–	(59)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	(797)	–	(797)	–	(797)
Total comprehensive income for the year		–	(856)	59,260	58,404	–	58,404
Transactions with owners in their capacity							
Appropriations to statutory reserve		–	10,418	(10,418)	–	–	–
Total transactions with owners in their capacity for the year		–	10,418	(10,418)	–	–	–
Balance at December 31, 2021		22	241,883	318,199	560,104	–	560,104
Balance at January 1, 2022		22	241,883	318,199	560,104	–	560,104
Comprehensive income							
Profit for the year		–	–	118,030	118,030	–	118,030
Currency translation differences		–	973	–	973	–	973
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	731	–	731	–	731
Total comprehensive income for the year		–	1,704	118,030	119,734	–	119,734
Transactions with owners in their capacity							
Appropriations to statutory reserve		–	3,630	(3,630)	–	–	–
Total transactions with owners in their capacity for the year		–	3,630	(3,630)	–	–	–
Balance at December 31, 2022		22	247,217	432,599	679,838	–	679,838

	Note	Attributable to equity holders of the Company					
		Share capital	Reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000 *(Note 33)*	*RMB'000* *(Note 21)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023		22	247,217	432,599	679,838	–	679,838
Comprehensive income							
Profit for the period		–	–	41,040	41,040	–	41,040
Currency translation differences		–	(7)	–	(7)	–	(7)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	(230)	–	(230)	–	(230)
Total comprehensive income for the period		–	(237)	41,040	40,803	–	40,803
Balance at April 30, 2023		22	246,980	473,639	720,641	–	720,641
Balance at January 1, 2022		22	241,883	318,199	560,104	–	560,104
Comprehensive income							
Profit for the period		–	–	16,441	16,441	–	16,441
Currency translation differences		–	88	–	88	–	88
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	668	–	668	–	668
Total comprehensive income for the period		–	756	16,441	17,197	–	17,197
Balance at April 30, 2022 (Unaudited)		22	242,639	334,640	577,301	–	577,301

Consolidated Statements of Cash Flows

	Note	Year ended December 31,			Four months ended April 30,	
		2020	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Operating activities						
Net cash (used in)/ generated from operations	*34(a)*	(14,464)	138,916	491,124	208,323	(169)
Interest received on bank deposits		6,738	8,143	21,038	1,639	5,317
Income tax paid		(2,645)	(2,671)	(2,270)	(1,263)	(2,564)
Net cash (used in)/ generated from operating activities		(10,371)	144,388	509,892	208,699	2,584
Investing activities						
Interest received on loans to third parties, related parties and time deposits		8,361	4,045	4,625	2,015	726
Purchase of property, plant and equipment		(80,276)	(317,112)	(224,328)	(63,165)	(80,784)
Purchase of land use rights		(5,600)	(29,000)	(9,391)	(3,643)	–
Payments for financial assets at fair value through profit or loss		(1,602,900)	(1,124,664)	(285,954)	(111,945)	(231,700)
Proceeds from financial assets at fair value through profit or loss		1,660,379	856,959	198,357	67,477	187,584
Payments for time deposits		(150,000)	(42,800)	(224,340)	(178,600)	(285,160)
Proceeds from time deposits		126,086	10,800	147,140	99,650	220,850
Proceeds from government grants related to assets		14,214	7,483	8,000	–	1,380
Loans to third parties		(14,740)	(31,806)	–	–	–
Repayment of loans by third parties		7,852	21,321	34,866	17,155	–
Repayment of loans by a related party	*37(b)*	5,380	37,120	47,500	8,500	–
Proceeds from disposal of property, plant and equipment		182	192	3,562	438	66

	Note	Year ended December 31,			Four months ended April 30,	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Proceeds from disposal of associates	*18*	–	1,000	5,840	3,000	–
Proceeds from disposal of a subsidiary	*11, 24(b)*	–	43,940	27	–	–
Net cash used in investing activities		(31,062)	(562,522)	(294,096)	(159,118)	(187,038)
Financing activities						
Interest paid	*34*	(6,665)	(14,596)	(24,633)	(9,301)	(11,393)
Proceeds from borrowings	*34*	649,293	950,688	913,363	463,881	453,568
Loan from related parties	*37(b)*	–	3,271	–	–	–
Repayment of loan from a related party		–	–	(3,271)	–	–
Repayments of borrowings	*34*	(628,493)	(470,888)	(922,888)	(310,967)	(166,198)
Principal and interest of lease payments	*34*	(5,764)	(3,624)	(2,935)	(1,276)	(921)
Payments for listing expenses		–	–	(4,500)	(2,415)	(2,043)
Net cash generated from/(used in) financing activities		8,371	464,851	(44,864)	139,922	273,013
Net (decrease)/increase in cash and cash equivalents		(33,062)	46,717	170,932	189,503	88,559
Cash and cash equivalents at beginning of the year/period		209,504	175,370	222,012	222,012	395,038
Effect of foreign exchange rate changes, net		(1,072)	(75)	2,094	36	(10)
Cash and cash equivalents at end of the year/period	*27*	175,370	222,012	395,038	411,551	483,587

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Luyuan Group Holding (Cayman) Limited (the "Company") was incorporated in Cayman Islands on February 18, 2009 as an exempted company. The address of its registered office was 4th Floor Scotia Centre, George Town, Grand Cayman, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together with the Company, referred to as "the Group") are principally engaged in electric vehicle business (the "Listing Business") in the People's Republic of China (the "PRC").

The ultimate holding companies of the Company are Apex Marine Investment Limited BVI and Dragon Investments Limited BVI, which are incorporated in the British Virgin Islands, and the ultimate controlling shareholders of the Company are Mr. Ni Jie and Ms. Hu Jihong (the "Controlling Shareholders").

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Luyuan Group Holding (Cayman) Limited and its subsidiaries.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income, which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, the Group has consistently adopted all standards and amendments that were effective for accounting periods beginning or before January 1, 2020, to the Group's Historical Financial Information throughout the Track Record Period.

The following new standards, amendments to existing standards and interpretation to existing standards that have not been early adopted by the Group:

		Effective for Accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to HKFRS 16	Lease liabilities in a sale and leaseback	January 1, 2024
Amendments to HKAS 1	Non-current liabilities with covenants	January 1, 2024

The management is in the process of assessing the impact of these standards, on the Historical Financial Information of the Group. The adoption of the above is currently not expected to have a material impact on the Historical Financial Information of the Group.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognized at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The chief operating decision maker of the Group consists of the executive directors.

2.6 Foreign currency translation

(a) Functional and presentation currency

The functional currency of the Company is United States dollar ("USD") which is the currency of the primary environment in which the Company operates. The functional currency of the group entities located in the PRC is Renminbi ("RMB") in which most of the transactions are denominated. The consolidated financial statements are presented in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial positions of some group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the group entities are translated at the closing rate at the date of that consolidated balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income (OCI). When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to consolidated income statement during the Track Record Period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20-30 years
– Motor vehicles	2-5 years
– Machinery & equipment	3-12 years
– Office equipment	3-5 years
– Decoration	2-5 years
– Leasehold improvement	shorter of useful life or lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

Construction-in-progress is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.8 Intangible assets

(a) Software and patent

Separately acquired software and patent are shown at historical cost. These assets have finite useful lives, and are measured at costs less accumulated amortization. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

– Software	3-5 years

(b) Research and development expenditure

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the patent so that it will be available for use;
- Management intends to complete the patent and use or sell it;
- There is an ability to use or sell the patent;
- It can be demonstrated how the patent will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patent are available; and
- The expenditure attributable to the patent during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the patent include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

No research and development expenditures were capitalized during the Track Record Period.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidation income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidation income statement.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 Financial Instruments ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1.2 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. See Note 3.1.2 for further details.

2.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and notes receivables and other receivables

Trade and notes receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Credit period is only provided to some customers that have good credit history. They are generally due for settlement within 180 days and therefore all classified as current. Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value.

Other receivables are amounts generally arise from transactions outside the usual operating activities of the Group.

The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 3.1 for a description of the Group's impairment policies. If collection of trade and notes and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group holds the notes receivables for both collection of contractual cash flows and selling purpose. If selling of the notes receivables meets the definition of derecognition of financial assets, notes receivables are measured at FVOCI. Otherwise, notes receivables are measured at amortized cost using the effective interest method.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and notes payables and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.17 Employee benefit

2.17.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

2.17.2 Post-employment obligations

The Group operates post-employment schemes via defined contribution pension plans. The Group pays contributions to publicly administered pension insurance plans on a mandatory or voluntary basis in the PRC. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.17.3 Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.18 Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group identified several performance obligations which are to sell products to the Group's distributors or directly to customers, to provide services to distributors.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Sales of products

The Group generates revenue from sales of electric bicycles, electric mopeds, electric motorcycles, batteries and charges and electric two-wheeled vehicle parts through domestic and overseas distributors, corporate and institutional customers, third party e-commerce platforms or self-operated online stores. The sales of products are recognized at a point in time, usually upon the acceptance by the customers.

When the Group sells its products through third-party e-commerce platforms, corporate and institutional customers, domestic and overseas distributors, they are the customers of the Group as they obtain control of the products before selling to end customers. Domestic and overseas distributors are generally required to pay advance before the acceptance of the products. A contract liability is recognized for the advance payment. Revenue from sales of products is recognized at a point in time when control of the products is transferred, usually upon the acceptance at the Group's warehouse by domestic distributors or the named place by third-party e-commerce platforms and corporate and institutional customers. Revenue from sales of products through overseas distributors is recognized when the products pass the ship's rail at the named port of shipment with FOB term.

When the Group sells its products to individual customers through its self-operated online stores, either established by the Group or established on third-party e-commerce platforms, revenue is recognized at a point in time when the products are accepted by the individual customers. Commission paid to third-party commerce platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

The Group provides sales volume rebate to domestic distributors. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate the provision for the volume rebates, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Group also provides reimbursement for store decoration to domestic distributors, which are in substance payment to customer. The reimbursement without committed sales volume is directly deducted from revenue, and the reimbursement with committed sales volume is capitalized as prepayment to domestic distributors and subsequently deducted from revenue which consistent with the method to recognize revenue from sales of products.

Sales returns are estimated based on historical experiences, which were insignificant for the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023.

Provision of services

The Group generates revenue from training service and other services. Revenue from training service and other services are recognized when the services are rendered, which is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Loyalty programme

The Group operates a loyalty programme where domestic distributors accumulate points for purchases made which entitle them to discounts on future purchases from the Group. A contract liability for the award points is recognized at the time of sale. Revenue is recognized when the points are redeemed.

Sales of goods to customer under a finance lease as a manufacturer lessor

The Group sells goods to certain customer under a finance lease as a manufacturer lessor. A manufacturer lessor is a lessor that manufactures the leased assets as part of its dealing activities. A manufacturer lessor that enters into a finance lease with a customer recognizes selling profit or loss in income as follows:

- Revenue is the fair value of the underlying assets or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest.

- Cost of sale is the cost, or carrying amount (if different), of the underlying asset, less the present value of the unguaranteed residual value.

- Selling profit or loss is the difference between revenue and the cost of sale, recognized in accordance with an entity's policy for outright sales to which HKFRS 15 applies.

Payment to distributors

Consideration payable to a customer should be deducted from revenue unless the payment to a customer is in exchange for a distinct good or service that the customer transfer to the entity. The Group paying for the store decoration fee to decoration companies for distributors is, in substance, a payment on behalf of customer. As the Group does not receive any distinct goods or services from distributors, the payment should be deducted from revenue.

When distributors have committed a minimum sales volume which in turn would request a minimum purchase amount from the Group, the payment is capitalized as "prepayment to distributors" and deducted from revenue on a systematic basis that is consistent with the transfer to the distributors of the goods. When distributors have not committed a minimum sales volume, the payment is deducted from revenue directly.

2.19 Interest income

Interest income from financial assets at FVTPL is included in other gains/(losses) on these assets, see Note 7.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss as part of other income.

Except for interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (see Note 10), any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.20 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the entity, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.21 Provisions

Provisions for legal claims and quality assurance warranties are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.23 Dividend distribution

Dividends are made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risks), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

3.1.1 Market Risk

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market and investments in Vietnam. Foreign currency risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency other than the entities’ functional currency. The Group is exposed to foreign currency risk primarily with respect to USD and Hong Kong Dollar (“HKD”).

The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

	Assets				
	As at December 31,			As at April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
USD					
– Cash and cash equivalents	3,344	3,605	–	1,123	107
– Trade receivables	3,930	1,636	2,729	976	–
HKD					
– Cash and cash equivalents	42	169	288	3,333	122

	Liabilities				
	As at December 31,			As at April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
HKD					
– Trade and other payables	54	124	–	2,143	1,599

	Impact on profit after tax				
	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
RMB – USD					
Appreciation of RMB by 5%	(273)	(197)	(108)	(79)	(4)
Depreciation of RMB by 5%	273	197	108	79	4
RMB – HKD					
Appreciation of RMB by 5%	–	(2)	(11)	(45)	55
Depreciation of RMB by 5%	–	2	11	45	(55)

Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets except for cash and cash equivalents, time deposits and restricted cash measured at amortized cost.

Bank borrowings obtained at variable rates expose the Group to cash flow interest-rate risk and bank borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. As at December 31, 2020, 2021 and 2022 and as at April 30, 2022 and 2023, if interest rates on borrowings with floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax loss/gain of the Group for the year ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023 would have changed as follows:

	Impact on profit after tax				
	Year ended December 31,			**Four months ended April 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	Decrease/ (increase)	**Decrease/ (increase)**	**Decrease/ (increase)**	**Decrease/ (increase)**	**Decrease/ (increase)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
50 basis points higher	330	83	935	595	1,560
50 basis points lower	(330)	(83)	(935)	(595)	(1,560)

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the Group's lease liabilities were all carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

3.1.2 Credit risk and impairment assessment

Impairment of financial assets

The Group is exposed to credit risk in relation to its cash, restricted cash, time deposits, trade and notes and lease receivables, other receivables and financial assets measured at FVTPL as well as financial assets measured at FVOCI. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group performed impairment assessment for financial assets and other items under Expected Credit Loss ("**ECL**") model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, is summarized as below:

Cash, restricted cash and time deposits

To manage this risk, the Group only makes transactions with state-owned banks, reputable commercial banks in the PRC and reputable international banks outside of the PRC which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these banks. The expected credit loss is closed to zero.

Trade receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up actions are taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivables balances on provision matrix, the trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories of recurring customers and ageing of the new customers.

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. As the credit period is only provided to some customers that have good credit history and the Group evaluates the performance of each customer annually, the Group determines the expected credit losses on these items by using provision matrix, grouped by aging based on revenue recognition date and the value of the pledged asset received from the customers.

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, on that basis, the loss allowance was determined as follows for trade receivables:

1) Individual basis

	Within 1 year	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020	–	(374)	(1,773)	(11,450)	(13,597)
December 31, 2021	(296)	(3)	(342)	(3,949)	(4,590)
December 31, 2022	–	–	–	(3,925)	(3,925)
April 30, 2023	–	–	–	(3,917)	(3,917)

The expected loss rate on the individual basis was 100% during the Track Record Period.

2) Trade receivables with collateral

December 31, 2020	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.22%	1.70%	–	–	
Gross carrying amount	33,564	12,435	–	–	45,999
Loss allowance provision	(74)	(211)	–	–	(285)

December 31, 2021	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	1.09%	4.86%	14.52%	–	
Gross carrying amount	57,362	11,931	1,771	–	71,064
Loss allowance provision	(625)	(580)	(257)	–	(1,462)

December 31, 2022	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.12%	0.73%	3.30%	–	
Gross carrying amount	69,554	2,002	2,540	–	74,096
Loss allowance provision	(83)	(15)	(84)	–	(182)

April 30, 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.12%	0.73%	3.30%	–	
Gross carrying amount	63,826	15,844	3,590	–	83,260
Loss allowance provision	(76)	(115)	(118)	–	(309)

The decrease or increase of expected credit loss rate for trade receivables during the Track Record Period was mainly due to the increase or decrease of coverage of collateral on trade receivables provided by distributors to the Group.

3) Trade receivables without collateral

December 31, 2020	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	7.65%	56.89%	80.12%	100.00%	
Gross carrying amount	68,355	5,210	7,669	2,210	83,444
Loss allowance provision	(5,225)	(2,964)	(6,145)	(2,210)	(16,544)

December 31, 2021	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	6.91%	63.57%	89.05%	100.00%	
Gross carrying amount	60,872	92	5,047	7,348	73,359
Loss allowance provision	(4,209)	(59)	(4,494)	(7,348)	(16,110)

December 31, 2022	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	5.21%	68.02%	93.83%	100.00%	
Gross carrying amount	98,007	1,979	18	11,639	111,643
Loss allowance provision	(5,103)	(1,346)	(17)	(11,639)	(18,105)

April 30, 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	5.21%	68.02%	93.83%	100.00%	
Gross carrying amount	171,693	3,647	20	11,627	186,987
Loss allowance provision	(8,940)	(2,481)	(19)	(11,627)	(23,067)

The loss allowances for trade receivables for the year ended December 31, 2020, 2021 and 2022 and for the four months ended April 30, 2022 and 2023 as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
At beginning of year/period	(43,423)	(30,426)	(22,162)	(22,162)	(22,212)
(Provision)/reversal of impairment	(4,141)	5,690	(1,277)	(2,402)	(5,090)
Receivables written off as uncollectible	17,138	2,574	1,227	1	9
At end of year/period	(30,426)	(22,162)	(22,212)	(24,563)	(27,293)

Lease receivables

December 31, 2022	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.56%	–	–	–	
Gross carrying amount	19,417	–	–	–	19,417
Loss allowance provision	(498)	–	–	–	(498)

April 30, 2023	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.56%	–	–	–	
Gross carrying amount	15,003	–	–	–	15,003
Loss allowance provision	(385)	–	–	–	(385)

The loss allowances for lease receivables for the year ended December 31, 2020, 2021 and 2022 and for the four months ended April 30, 2022 and 2023 as follows:

	Year ended December 31,			**Four months ended April 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At beginning of year/period	–	–	–	–	(498)
(Provision)/reversal of impairment	–	–	(498)	(57)	113
Receivables written off as uncollectible	–	–	–	–	–
At end of year/period	–	–	(498)	(57)	(385)

Other receivables

Other receivables mainly comprise deposits and others. For other receivables, the Directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The loss allowance at December 31, 2020, 2021 and 2022 and at April 30, 2023 are as follows:

December 31, 2020	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Stage 1			
Included in current assets			
Loans to a related party	1.90%	95,620	(1,820)
Loans to third parties	1.87%	13,331	(249)
Deposits	2.40%	1,061	(25)
Others	3.18%	1,511	(48)
Included in non-current assets			
Deposits	2.40%	1,165	(28)
Loans to third parties	1.87%	11,260	(210)
		123,948	(2,380)
Stage 3			
Included in current assets			
Receivables from disposal of a subsidiary	4.75%	48,000	(2,280)
Receivables from disposal of land use rights	100%	20,000	(20,000)
Loans to third parties	100%	5,600	(5,600)
Others	100%	7,784	(7,784)
		81,384	(35,664)
		205,332	(38,044)

December 31, 2021	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Stage 1			
Included in current assets			
Loans to third parties	4.85%	34,996	(1,698)
Deposits	2.38%	1,108	(26)
Others	2.98%	905	(27)
Included in non-current assets			
Deposits	2.38%	1,196	(28)
		38,205	(1,779)
Stage 2			
Loans to a related party *(a)*	5.31%	58,500	(3,108)
Stage 3			
Included in current assets			
Receivables from disposal of land use rights	100%	20,000	(20,000)
Loans to third parties	100%	6,066	(6,066)
Others	100%	7,784	(7,784)
		33,850	(33,850)
		130,555	(38,737)

December 31, 2022	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Stage 1			
Included in current assets			
Deposits	2.71%	1,360	(37)
Others	3.02%	1,313	(39)
Included in non-current assets			
Deposits	2.71%	1,496	(40)
		4,169	(116)
Stage 3			
Included in current assets			
Loans to a related party *(b)*	42.61%	11,000	(4,688)
Receivables from disposal of land use rights	100.00%	20,000	(20,000)
Loans to third parties	100.00%	5,648	(5,648)
Others	100.00%	7,784	(7,784)
		44,432	(38,120)
		48,601	(38,236)

April 30, 2023	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Stage 1			
Included in current assets			
Deposits	2.71%	554	(15)
Others	3.02%	983	(30)
Included in non-current assets			
Deposits	2.71%	1,850	(50)
		3,387	(95)
Stage 3			
Included in current assets			
Receivables from disposal of land use rights	100.00%	20,000	(20,000)
Loans to third parties	65.65%	5,648	(3,708)
Others	100.00%	7,784	(7,784)
		33,432	(31,492)
		36,819	(31,587)

The decrease of expected credit loss rate for loan to third parties from 100% as at December 31, 2022 to 65.65% as at April 30, 2023 was mainly due to the expected settlement of the loan receivables through the legal enforcement according to the litigation result, among which RMB2 million was subsequently settled on May 4, 2023.

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At beginning of year/period	(36,576)	(38,044)	(38,737)	(38,737)	(38,236)
(Provision)/reversal of impairment	(2,003)	(4,753)	474	1,104	6,649
Write-off amount	535	4,060	27	–	–
At end of year/period	(38,044)	(38,737)	(38,236)	(37,633)	(31,587)

Notes:

(a) On December 31, 2021, the loan to a related party was overdue for the first time since initial recognition. Due to the credit risk of the financial instrument has significantly increased while no credit impairment has occurred, the loan was transferred to stage 2. The corresponding ECL rate increased to 5.31% considering of the recoverable amount from the collateral of real estate.

(b) On December 31, 2022, the loan was overdue over 1 year with the financial difficulty of the related party. As a result, the loan turned to be credit-impaired financial asset and transferred to stage 3. The corresponding ECL rate increased to 42.61% considering of the recoverable amount from the collateral of real estate. In March 2023, the related party Linyi Luyuan settled the amount due to the Group with its pledged assets and other assets.

Notes receivables

For notes receivables, the Directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The loss allowance at December 31, 2020, 2021 and 2022 and at April 30, 2022 and 2023 are as follows:

	As at December 31,			As at April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Gross carrying amount	25,358	31,088	118,850	39,059	49,823
Expected loss rate	0.17%	0.22%	0.37%	0.22%	0.37%
Loss allowance	(43)	(69)	(436)	(85)	(184)

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At beginning of year/period	(24)	(43)	(69)	(69)	(436)
(Provision)/reversal of impairment	(19)	(26)	(367)	(16)	252
At end of year/period	(43)	(69)	(436)	(85)	(184)

Debt instruments at fair value through other comprehensive income

The loss allowance at December 31, 2020, 2021 and 2022 and at April 30, 2022 and 2023 as follows:

	As at December 31,			As at April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fair value before provision of impairment	176,036	119,164	95,418	118,325	168,655
Expected loss rate	0.11%	0.17%	0.20%	0.17%	0.20%
Loss allowance	(204)	(207)	(189)	(204)	(341)

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At beginning of year/period	(193)	(204)	(207)	(207)	(189)
(Provision)/reversal of impairment	(11)	(3)	18	3	(152)
At end of year/period	(204)	(207)	(189)	(204)	(341)

No other financial assets carry a significant exposure to credit risk.

3.1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The amount disclosed in the table is the contractual undiscounted cash flows.

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020					
Borrowings, principal *(Note 32)*	155,912	–	–	–	155,912
Interest payments on borrowings	2,509	–	–	–	2,509
Trade and notes payables *(Note 28)*	692,731	–	–	–	692,731
Other payables excluding accrued payroll and other taxes *(Note 28)*	67,376	–	–	–	67,376
Lease liabilities *(Note 15)*	3,426	855	257	–	4,538
	921,954	855	257	–	923,066
As at December 31, 2021					
Borrowings, principal *(Note 32)*	523,051	93,000	50,000	–	666,051
Interest payments on borrowings	8,669	6,840	6,819	–	22,328
Trade and notes payables *(Note 28)*	1,062,652	–	–	–	1,062,652
Other payables excluding accrued payroll and other taxes *(Note 28)*	177,055	–	–	–	177,055
Lease liabilities *(Note 15)*	2,209	454	–	–	2,663
	1,773,636	100,294	56,819	–	1,930,749
As at December 31, 2022					
Borrowings, principal *(Note 32)*	286,862	116,124	253,600	–	656,586
Interest payments on borrowings	4,804	8,972	24,784	–	38,560
Trade and notes payables *(Note 28)*	1,495,834	–	–	–	1,495,834
Other payables excluding accrued payroll and other taxes *(Note 28)*	109,630	–	–	–	109,630
Lease liabilities *(Note 15)*	2,932	1,707	671	–	5,310
	1,900,062	126,803	279,055	–	2,305,920

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at April 30, 2023					
Borrowings, principal *(Note 32)*	450,837	152,842	340,400	–	944,079
Interest payments on borrowings	1,900	8,479	30,375	–	40,754
Trade and notes payables *(Note 28)*	1,580,103	–	–	–	1,580,103
Other payables excluding accrued payroll and other taxes *(Note 28)*	101,955	–	–	–	101,955
Lease liabilities *(Note 15)*	1,647	1,342	471	–	3,460
	2,136,442	162,663	371,246	–	2,670,351

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium and other reserves on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the Directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023.

The gearing ratios at December 31, 2020, 2021 and 2022 and at April 30, 2023 of the Group were as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	155,912	666,051	656,586	944,079
Leases liabilities	4,384	2,588	5,108	3,330
Total debt	160,296	668,639	661,694	947,409
Total equity	501,700	560,104	679,838	720,641
Gearing ratio	32%	119%	97%	131%

The increase in gearing ratio from December 31, 2020 to December 31, 2021 were mainly resulted from the increase in borrowings.

The decrease in gearing ratio from December 31, 2021 to December 31, 2022 was mainly resulted from the increase of retained earnings.

The increase in gearing ratio from December 31, 2022 to April 30, 2023 was mainly resulted from the increase in borrowings.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 by level of the inputs to valuation techniques used to measure fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020				
Wealth management products, structured deposits and certificate of deposits	–	31,720	31,844	63,564
Debt instruments at fair value through other comprehensive income	–	–	175,832	175,832
Total	–	31,720	207,676	239,396
December 31, 2021				
Wealth management products, structured deposits and certificate of deposits	–	90,102	337,925	428,027
Debt instruments at fair value through other comprehensive income	–	–	118,957	118,957
Total	–	90,102	456,882	546,984
December 31, 2022				
Wealth management products, structured deposits and certificate of deposits	–	63,520	470,045	533,565
Debt instruments at fair value through other comprehensive income	–	–	95,229	95,229
Total	–	63,520	565,274	628,794
April 30, 2023				
Wealth management products, structured deposits and certificate of deposits	–	1,708	580,173	581,881
Debt instruments at fair value through other comprehensive income	–	–	168,314	168,314
Total	–	1,708	748,487	750,195

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The valuation technique is discounted cash flows that reflects the credit risk of various counterparties.

(c) Financial instruments in level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The following table presents the changes in level 3 items as at December 31, 2020, 2021 and 2022 and as at April 30, 2023:

	Wealth management products, structured deposits and certificate of deposits	**Notes receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Net opening balance as at January 1, 2020	90,341	36,003	126,344
Acquisitions	877,510	569,975	1,447,485
Redemption	(944,681)	(429,717)	(1,374,398)
Net fair value gains on financial assets at FVTPL	8,674	–	8,674
Change in fair value through OCI	–	(418)	(418)
Change in ECL	–	(11)	(11)
Net closing balance as at December 31, 2020	31,844	175,832	207,676
Net opening balance as at January 1, 2021	31,844	175,832	207,676
Acquisitions	705,402	723,007	1,428,409
Redemption	(414,178)	(778,816)	(1,192,994)
Net fair value gains on financial assets at FVTPL	14,857	–	14,857
Change in fair value through OCI	–	(1,063)	(1,063)
Change in ECL	–	(3)	(3)
Net closing balance as at December 31, 2021	337,925	118,957	456,882

	Wealth management products, structured deposits and certificate of deposits	Notes receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
Net opening balance as at January 1, 2022	337,925	118,957	456,882
Acquisitions	205,258	324,960	530,218
Redemption	(90,408)	(349,681)	(440,089)
Net fair value gains on financial assets at FVTPL	17,270	–	17,270
Change in fair value through OCI	–	975	975
Change in ECL	–	18	18
Net closing balance as at December 31, 2022	470,045	95,229	565,274
Net opening balance as at January 1, 2023	470,045	95,229	565,274
Acquisitions	230,000	222,168	452,168
Redemption	(123,493)	(148,624)	(272,117)
Net fair value gains on financial assets at FVTPL	3,621	–	3,621
Change in fair value through OCI	–	(307)	(307)
Change in ECL	–	(152)	(152)
Net closing balance as at April 30, 2023	580,173	168,314	748,487

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of below financial instruments:

	Fair value					Range of inputs					
	As at December 31,			As at April 30,	Significant unobservable	Year ended December 31,			Four months ended April 30,		Relationship of unobservable inputs
Description	**2020**	**2021**	**2022**	**2023**	**inputs**	**2020**	**2021**	**2022**	**2022**	**2023**	**to fair value**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*					*(Unaudited)*		
Wealth management products and structured deposits and certificate of deposits	31,844	337,925	470,045	580,173	Expected rate of return	2.33%~ 4.83%	2.76%~ 3.35%	1.45%~ 4.00%	1.95%~ 4.00%	1.95%~ 4.00%	The higher the expected rate, the higher the fair value
Notes receivables (debt instruments at fair value through other comprehensive income)	175,832	118,957	95,229	168,314	Discount rate	2.32%~ 3.11%	2.51%~ 2.75%	2.40%~ 2.63%	2.06%~ 2.52%	2.31%~ 2.55%	The higher the discount rate, the lower the fair value

If the expected rate of return had been 10% higher/lower, the fair values of wealth management products as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 would have been approximately RMB114,000, RMB1,029,000, RMB1,280,000 and RMB1,726,000 higher/lower, respectively.

If the discount rate had been 10% higher/lower, the fair values of notes receivables as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 would have been approximately RMB476,000, RMB312,000, RMB239,000 and RMB409,000 lower/higher, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Current and deferred income tax

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for corporate income tax. There are transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that we initially recorded, such difference will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

4.2 Impairment of trade receivables and other receivables

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables and with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

5 REVENUE AND SEGMENT REPORTING

5.1 Disaggregation of revenue from contract with customers

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales of goods	2,355,924	3,364,707	4,727,769	1,145,622	1,629,897
Revenue from services	22,408	52,980	55,254	16,339	21,527
	2,378,332	3,417,687	4,783,023	1,161,961	1,651,424
Timing of revenue recognition					
At point in time	2,355,924	3,364,707	4,727,769	1,145,622	1,629,897
Over time	22,408	52,980	55,254	16,339	21,527
	2,378,332	3,417,687	4,783,023	1,161,961	1,651,424

Information about major customers

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Customer A	390,518	N/A *(Note (a))*	N/A *(Note (a))*	N/A *(Note (a))*	N/A *(Note (a))*

Note (a): In 2021 and 2022 and four months ended April 30, 2023, no individual customer's revenue contributed over 10% of the Group's revenue.

5.2 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

For management purposes, the Group is not organized into business units based on their products and services, the Group has only one reportable operating segment which is engaged in the development, manufacture and sale of electric vehicles and related accessories. Accordingly, no segment information is presented.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sales of electric vehicles in the PRC and over 90% of the Group's non-current assets and liabilities were located in the PRC, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

6 OTHER INCOME AND EXPENSE

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income					
Income of obsolete material and work in progress	5,595	9,016	8,041	1,223	1,566
Income of operating lease	1,131	845	1,520	299	32
Interest income from related and third parties	6,159	3,463	31	1,386	–
Interest income from time deposits	3,822	729	2,399	1,493	725
Government grants *(Note)*	11,576	10,194	20,549	7,556	14,979
Others	986	2,569	5,210	122	662
	29,269	26,816	37,750	12,079	17,964
Other expense					
Cost of obsolete material and work in progress	(5,362)	(3,050)	(4,475)	(1,048)	(713)
Others	(282)	(1,833)	(1,618)	(307)	(26)
	(5,644)	(4,883)	(6,093)	(1,355)	(739)

Note: The government grants mainly represented the general support, the subsidies for stabilizing employment and tax refunds, etc. from local government.

7 OTHER GAINS – NET

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Exchange (losses)/gains	(733)	(16)	1,121	36	(3)
Fair value changes on financial assets at fair value through profit or loss	8,674	14,857	19,588	5,552	4,201
Donation	(1,842)	(372)	(671)	(344)	(11)
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(1,897)	(761)	1,706	(84)	(72)
Gains from disposal of a subsidiary *(Note 11)*	–	–	27	–	–
Gains from disposal of associates *(Note 18)*	–	–	6,840	6,000	–
Others – Net	1,999	(2,486)	4,956	1,487	(643)
	6,201	11,222	33,567	12,647	3,472

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative expenses and research and development expenses are analyzed as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Raw materials and consumables used	1,934,551	2,792,874	3,919,913	970,349	1,347,065
Employee benefits expenses *(Note 9)*	140,051	201,046	293,055	84,779	94,102
Advertising expense	30,514	79,579	79,521	7,876	43,410
Outsourcing labor fee	78,949	100,161	122,990	28,065	50,307
Freight	12,303	32,302	40,772	8,189	12,151
Travel expense	15,038	23,091	33,338	7,940	10,722
Consulting costs	10,392	10,781	26,688	8,814	5,303
Depreciation of property, plant and equipment *(Note 14)*	51,989	56,117	69,950	22,026	26,673
Amortization of intangible assets *(Note 16)*	1,077	969	957	307	316
Depreciation of right-of-use assets *(Note 15)*	6,712	6,318	4,504	1,359	1,328
Expense relating to short-term leases or low value leases *(Note 15)*	2,123	3,048	6,613	326	2,286
Design fee	25,339	25,574	35,583	7,823	11,632
Warranty	3,328	5,121	6,601	1,712	2,229
Tax and surcharges	11,289	13,240	18,571	4,380	5,205

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Office expense	17,624	16,945	19,570	4,661	5,129
Expense relating to listing	–	205	15,087	2,796	4,050
Auditors' remuneration					
– Audit services	282	359	279	36	36
– Non-audit services	–	127	17	–	–
Other expenses	16,911	15,375	26,806	4,923	7,301
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	2,358,472	3,383,232	4,720,815	1,166,361	1,628,698

9 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	130,583	185,386	267,006	77,422	85,153
Defined contribution plans	6,926	10,819	17,984	5,019	6,152
Other social security costs, housing benefits and other employee benefits	2,542	4,841	8,065	2,338	2,797
	140,051	201,046	293,055	84,779	94,102

The employees of the Group in the PRC are members of state-managed defined contribution scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, due to the impact from Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly. During the Track Record Period, no forfeited contributions were utilized by the Group to reduce its contributions.

(a) Directors' emoluments

	For the year ended December 31, 2020		
	Salaries and other allowance	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	495	46	541
Ms. Hu Jihong	460	–	460
Mr. Chen Guosheng	376	13	389
Non-executive director:			
Mr. Wang Wenyong	–	–	–
	1,331	59	1,390

	For the year ended December 31, 2021		
	Salaries and other allowance	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	516	38	554
Ms. Hu Jihong	480	–	480
Mr. Chen Guosheng	396	13	409
Non-executive director:			
Mr. Wang Wenyong	–	–	–
	1,392	51	1,443

	For the year ended December 31, 2022		
	Salaries and other allowance	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	1,372	–	1,372
Ms. Hu Jihong	1,092	–	1,092
Mr. Chen Guosheng	1,152	16	1,168
Non-executive director:			
Mr. David R. Dingman	–	–	–
Mr. Wang Wenyong	–	–	–
Mr. Peng Haitao	–	–	–
Mr. Liu Bobin	–	–	–
Mr. Wu Xiaoya	–	–	–
	3,616	16	3,632

	For the four months ended April 30, 2022 (Unaudited)		
	Salaries and other allowance	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	457	–	457
Ms. Hu Jihong	364	–	364
Mr. Chen Guosheng	384	5	389
Non-executive director:			
Mr. David R. Dingman	–	–	–
Mr. Wang Wenyong	–	–	–
	1,205	5	1,210

	For the four months ended April 30, 2023		
	Salaries and other allowance	**Retirement benefit scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	523	–	523
Ms. Hu Jihong	416	–	416
Mr. Chen Guosheng	341	5	346
Non-executive director:			
Mr. David R. Dingman	–	–	–
Mr. Peng Haitao	–	–	–
Mr. Liu Bobin	–	–	–
Mr. Wu Xiaoya	–	–	–
	1,280	5	1,285

(i) Mr. Wang Wenyong resigned from his position as a non-executive director, with effect from April 8, 2022. Mr. Wang Wenyong was appointed as non-executive director by Shipston Electric Vehicle Limited ("Shipston", a shareholder of the company), who resigned from Shipston on April 8, 2022 and resigned from the non-executive director of the Group.

Shipston appointed Mr. David R. Dingman as non-executive director as the replacement of Mr. Wang Wenyong.

(ii) Mr. David R. Dingman was appointed as a non-executive director of the Company with effect from April 8, 2022.

(iii) Mr. Peng Haitao, Mr. Liu Bobin and Mr. Wu Xiaoya were appointed as independent non-executive directors of the Company on July 1, 2022.

(iv) Mr. Chan Chi Fung Leo, was appointed as an independent non-executive director of the Company in June 2023.

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as the directors.

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the years/periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years/periods include three directors whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining two individuals during the years/periods are as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	757	803	1,791	597	683
Social security costs, housing benefits and other employee benefits	36	36	37	12	12
	793	839	1,828	609	695

The number of the highest paid employees who are not directors whose remuneration fell within the following band is as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Nil to HKD500,000	2	2	–	2	2
HKD500,000 to HKD1,000,000	–	–	2	–	–
	2	2	2	2	2

10 FINANCE COSTS – NET

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Finance costs					
- Interest on bank loans and other loans	(6,609)	(15,200)	(24,682)	(9,546)	(11,516)
- Interests on lease liabilities	(302)	(183)	(91)	(50)	(45)
Total finance costs	(6,911)	(15,383)	(24,773)	(9,596)	(11,561)
Finance income					
- Interest income on bank deposits	6,739	8,142	21,038	1,639	5,317
Net finance costs	(172)	(7,241)	(3,735)	(7,957)	(6,244)

11 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 are as follows:

Name of subsidiaries	Place of registration	Date of registration	Authorized shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power					Principal activities	*Note*
					As at December 31,			As at April 30,	As the date of this report		
					2020	2021	2022	2023			
Luyuan International Limited	British Virgin Island	February 16, 2009	USD1	USD1	100%	100%	100%	100%	100%	Investment holding	*(i)*
Luyuan International (Hong Kong) Limited	Hong Kong, the PRC	February 24, 2009	HKD10,000,000	HKD10,000,000	100%	100%	100%	100%	100%	Investment holding	*(v)*
Zhejiang Luyuan Electric Vehicle Co., Ltd. ("Zhejiang Luyuan")	Jinhua, the PRC	May 12, 2003	USD12,000,000	USD12,000,000	100%	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(ii)*
Zhejiang Luyuan Information Technology Co., Ltd.	Jinhua, the PRC	May 28, 2015	RMB80,000,000	RMB80,000,000	100%	100%	100%	100%	100%	Sale of electric vehicles and accessories	*(ii)*
Luyuan Electric Vehicle (Shandong) Co., Ltd. ("Shandong Luyuan")	Linyi, the PRC	August 25, 2008	RMB400,000,000	RMB400,000,000	100%	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(iii)*
Luyuan Electric Vehicle (Guangdong) Co., Ltd. ("Guangdong Luyuan")	Dongguan, the PRC	March 26, 2013	RMB10,000,000	RMB10,000,000	100%	100%	100%	–	–	Manufacture of electric vehicles and accessories	*(xi), (vi)*
Guangxi Luyuan Electric Vehicle Co., Ltd. ("Guangxi Luyuan")	Guigang, the PRC	August 28, 2019	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(iv)*
Jinhua Yicheng Trading Co., Ltd. ("Jinhua Yicheng")	Jinhua, the PRC	July 15, 2015	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(x)*

Name of subsidiaries	Place of registration and operations	Date of registration	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power					Principal activities	*Note*
					As at December 31,			As at April 30,	As the date of this report		
					2020	2021	2022	2023			
Zhejiang Jinhongzi Information Technology Co., Ltd.	Jinhua, the PRC	April 7, 2015	RMB289,000,000	RMB289,000,000	100%	100%	–	–	–	Investment holding	*(i), (vi)*
Zhejiang Hongzi Information Technology Co., Ltd.	Jinhua, the PRC	April 29, 2015	RMB88,000,000	RMB88,000,000	100%	100%	–	–	–	Investment holding	*(i), (vi)*
LYVA COMPANY LIMITED	Vietnam	July 27, 2015	VND21,875,862,120	VND21,875,862,120	100%	100%	–	–	–	Sale of electric vehicles and accessories	*(i), (ix)*
Jiangsu Luyuan Motor Vehicle Technology Co., Ltd. ("Jiangsu Motor Luyuan")	Xuzhou, the PRC	March 18, 2019	RMB20,000,000	–	100%	100%	–	–	–	Manufacture of electric vehicles and accessories	*(i), (vi)*
Ludong (Jinhua) New Energy Technology Co., Ltd. ("Ludong (Jinhua)")	Jinhua, the PRC	August 16, 2021	RMB35,000,000	RMB35,000,000	–	100%	100%	100%	100%	Manufacture and sale of batteries	*(i), (vii)*
Zhejiang Luyuan International Trade Co., Ltd.	Jinhua, the PRC	March 22, 2022	RMB10,000,000	–	–	–	100%	100%	100%	Import and export of goods	*(i), (viii)*
Luyuan Technology Holding (Zhejiang) Co., Ltd.	Jinhua, the PRC	December 7, 2021	RMB50,000,000	–	–	100%	100%	100%	100%	Investment holding	*(i), (viii)*
Anhui Baijiayu Luyuan Electric Vehicle Sales Co., Ltd. ("Anhui Baijiayu")	Hefei City, the PRC	June 25, 2012	RMB5,000,000	RMB5,000,000	–	–	–	–	–	Sale of electric vehicles and accessories	*(i), (vi)*

Notes:

(i) No audited financial statements have been prepared for these entities for the years ended December 31, 2020, 2021 and 2022.

(ii) The statutory financial statements of those companies for the year ended December 31, 2020, 2021 and 2022 were audited by Jinhua Antai Certified Public Accountant Co., Ltd..

(iii) The statutory financial statements of Shandong Luyuan for the year ended December 31, 2020, 2021 and 2022 were audited by Linyi Shengda United Certified Public Accountants.

(iv) The statutory financial statements of Guangxi Luyuan for the year ended December 31, 2020, 2021 and 2022 were audited by Wuyige Certified Public Accountants (LLP) Guangdong Branch.

(v) The statutory financial statements of Luyuan International (Hong Kong) Limited for the year ended December 31, 2020 and 2021 were audited by Capital Partners CPA limited. No audited financial statements have been prepared for this entity for the year ended December 31, 2022.

(vi) Subsidiaries deregistered during Track Record Period. In 2020, the Group deregistered its subsidiary, Anhui Baijiayu. In 2022, the Group deregistered its subsidiaries, Zhejiang Jinhongzi Information Technology Co., Ltd. and Jiangsu Motor Luyuan and Zhejiang Hongzi Information Technology Co., Ltd.. Guangdong Luyuan was resolved for deregistration on December 15, 2021 and deregistration had been completed in March 2023.

(vii) In 2021, Ludong (Jinhua) was transferred from Jinhuashi Luyuan Electric Vehicle Co., Ltd., a company established in the PRC and then owned as to 95% by Mr. Ni Jie and 5% by Ms. Hu Jihong, to Zhejiang Luyuan in order to increase the land reserves available to Zhejiang Luyuan to enhance the production capabilities in Zhejiang, at an aggregate consideration of RMB37,089,000. The aforesaid consideration was determined based on valuation of the properties held by Ludong (Jinhua) conducted by independent valuer and had been fully settled by June 8, 2022.

(viii) Subsidiaries established during Track Record Period. In 2021, Luyuan Technology Holding (Zhejiang) Co., Ltd. was established in the PRC. In 2022, Zhejiang Luyuan International Trade Co., Ltd. was established in the PRC.

(ix) In September 2022, the Group disposed its subsidiary, LYVA COMPANY LIMITED to TRINH HUYEN CHANG, a third party at a consideration of VND100,000,000 (equivalent to RMB28,800) (Note 7).

(x) The statutory financial statements of Jinhua Yichen for the year ended December 31, 2020 and 2021 were audited by Jinhua Antai Certified Public Accountant Co., Ltd.. No audited financial statements have been prepared for Jinhua Yichen for the year ended December 31, 2022.

(xi) The statutory financial statements of Guangdong Luyuan for the year ended December 31, 2020, and 2021 were audited by Wuyige Certified Public Accountants (LLP) Guangdong Branch. No audited financial statements have been prepared for Guangdong Luyuan for the year ended December 31, 2022.

12 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognized directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
PRC corporate income tax	4,092	8,475	347	4,083	27
Deferred income tax *(Note 25)*	(1,056)	(6,144)	3,871	(10,869)	(1,980)
Total income tax expense/(credit)	3,036	2,331	4,218	(6,786)	(1,953)

(a) Cayman Islands income tax

Under the current laws of the Cayman Islands, the Company is not subject to tax on the Company's income or capital gains. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(b) British Virgin Islands income tax

Under the current laws of the British Virgin Islands, our subsidiary incorporated in British Virgin Islands is not subject to income tax.

(c) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented.

(d) Vietnam income tax

Entities incorporated in Vietnam are subject to Vietnam profits tax at a rate of 20% on assessable profits.

(e) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the year ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023 except:

- In 2021, Zhejiang Luyuan applied the extension of the high-tech certificate originally obtained in December 2009. The latest high-tech certificate was obtained in December 2021 with an effective period for 3 years. The income tax rate for the year ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023 is 15%.

- In 2020, Shandong Luyuan applied the extension of the high-tech certificate originally obtained in December 2017. The latest high-tech certificate was obtained in August 2020 with an effective period for 3 years. The income tax rate for the year ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023 is 15%.

- Jinhua Yicheng and Ludong (Jinhua) are small low-profit enterprises during the Track Record Period. During the period from January 1, 2020 to December 31, 2020, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. During the period from January 1, 2021 to December 31, 2021, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. During the period from January 1, 2022 to December 31, 2022, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. During the period from January 1, 2023 to April 30, 2023, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175%, 200%, 200%, 200% and 200% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023 respectively. The Group has made its best estimate for the super deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the period.

(f) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at April 30, 2023 will not be distributed in the foreseeable future. The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings as at April 30, 2023 will not be distributed in the foreseeable future. The Group did not recognize deferred income tax for PRC withholding income tax with amount of RMB40,878,400, RMB50,042,200, RMB60,498,500 and RMB64,556,300 as at December 31, 2020, 2021 and 2022 and as at April 30, 2023, respectively, on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB408,784,000, RMB500,422,000, RMB604,985,000 and RMB645,563,000 as at December 31, 2020, 2021 and 2022 and as at April 30, 2023, respectively.

The tax on the Group' s profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit/(losses) of the consolidated entities as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before income tax	43,317	61,591	122,248	9,655	39,087
Income tax calculated at statutory rate of 25%	10,827	15,398	30,562	2,414	9,772
Tax effect of preferential tax rate	(2,903)	(4,130)	(690)	(2,659)	(287)
Effect of tax rate difference	520	843	1,109	252	38
Super deduction in respect of R&D expenditures	(12,584)	(17,805)	(29,921)	(7,243)	(11,587)

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Additional deduction of 100% of the wages paid to disabled employees	(328)	(378)	(500)	(168)	(169)
Share of results of associates	6	(79)	(50)	(2)	(34)
Non-deductible expenses	6,884	8,476	3,658	439	276
Tax losses and temporary differences for which no deferred tax assets were recognized	614	6	50	181	38
Total income tax expense/(credit)	3,036	2,331	4,218	(6,786)	(1,953)

13 EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each period.

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit attributable to equity holders of the Company (RMB'000)	40,293	59,260	118,030	16,441	41,040
Weighted average number of shares in issue (in thousand)	32,000	32,000	32,000	32,000	32,000
Basic earnings per share (RMB)	1.26	1.85	3.69	0.51	1.28

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the Track Record Period.

The basic earnings per share and diluted earnings per share as presented on the consolidated statements of comprehensive income have not taken into account the proposed capitalization issue as described in Note 38.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery & equipment	Office equipment	Motor vehicles	Construction in progress	Decoration and leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at January 1, 2020	349,783	257,543	22,759	21,877	26,378	11,850	690,190
Additions	–	212	1,466	161	55,219	3,845	60,903
Transfers	–	41,055	172	870	(42,097)	–	–
Disposals	(485)	(23,770)	(1,885)	(1,613)	(66)	–	(27,819)
As at December 31, 2020	349,298	275,040	22,512	21,295	39,434	15,695	723,274
Accumulated depreciation							
As at January 1, 2020	(100,935)	(131,969)	(17,140)	(16,379)	–	(6,682)	(273,105)
Depreciation charge	(16,504)	(26,787)	(1,929)	(2,041)	–	(4,728)	(51,989)
Disposals	452	20,808	1,774	1,532	–	–	24,566
As at December 31, 2020	(116,987)	(137,948)	(17,295)	(16,888)	–	(11,410)	(300,528)
Net book value							
As at December 31, 2020	232,311	137,092	5,217	4,407	39,434	4,285	422,746
Cost							
As at January 1, 2021	349,298	275,040	22,512	21,295	39,434	15,695	723,274
Additions	28,897	3,774	1,445	769	347,322	844	383,051
Transfers	121,326	116,661	2,113	666	(240,766)	–	–
Disposals	–	(8,863)	(173)	(372)	(64)	–	(9,472)
As at December 31, 2021	499,521	386,612	25,897	22,358	145,926	16,539	1,096,853
Accumulated depreciation							
As at January 1, 2021	(116,987)	(137,948)	(17,295)	(16,888)	–	(11,410)	(300,528)
Depreciation charge	(18,475)	(31,108)	(2,050)	(1,734)	–	(2,750)	(56,117)
Disposals	–	7,003	125	354	–	–	7,482
As at December 31, 2021	(135,462)	(162,053)	(19,220)	(18,268)	–	(14,160)	(349,163)
Net book value							
As at December 31, 2021	364,059	224,559	6,677	4,090	145,926	2,379	747,690
Cost							
As at January 1, 2022	499,521	386,612	25,897	22,358	145,926	16,539	1,096,853
Additions	–	152	237	–	160,038	7,254	167,681
Transfers	163,981	79,237	4,557	323	(248,098)	–	–
Disposals	–	(8,898)	(356)	(4,158)	(148)	–	(13,560)
As at December 31, 2022	663,502	457,103	30,335	18,523	57,718	23,793	1,250,974
Accumulated depreciation							
As at January 1, 2022	(135,462)	(162,053)	(19,220)	(18,268)	–	(14,160)	(349,163)
Depreciation charge	(26,322)	(38,043)	(2,674)	(1,410)	–	(1,501)	(69,950)
Disposals	–	7,977	337	3,950	–	–	12,264
As at December 31, 2022	(161,784)	(192,119)	(21,557)	(15,728)	–	(15,661)	(406,849)
Net book value							
As at December 31, 2022	501,718	264,984	8,778	2,795	57,718	8,132	844,125

	Buildings	Machinery & equipment	Office equipment	Motor vehicles	Construction in progress	Decoration and leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at January 1, 2022	499,521	386,612	25,897	22,358	145,926	16,539	1,096,853
Additions	–	3,414	178	–	28,613	374	32,579
Transfers	114,998	899	1,169	85	(117,151)	–	–
Disposals	–	(2,191)	(110)	(2,200)	–	–	(4,501)
As at April 30, 2022 (Unaudited)	614,519	388,734	27,134	20,243	57,388	16,913	1,124,931
Accumulated depreciation							
As at January 1, 2022	(135,462)	(162,053)	(19,220)	(18,268)	–	(14,160)	(349,163)
Depreciation charge	(8,418)	(11,682)	(914)	(513)	–	(499)	(22,026)
Disposals	–	1,886	105	1,988	–	–	3,979
As at April 30, 2022 (Unaudited)	(143,880)	(171,849)	(20,029)	(16,793)	–	(14,659)	(367,210)
Net book value							
As at April 30, 2022 (Unaudited)	470,639	216,885	7,105	3,450	57,388	2,254	757,721
Cost							
As at January 1, 2023	663,502	457,103	30,335	18,523	57,718	23,793	1,250,974
Additions	10,479	–	130	–	40,349	7,076	58,034
Transfers	6,001	30,047	1,944	284	(38,276)	–	–
Disposals	–	(564)	(1)	(431)	–	–	(996)
As at April 30, 2023	679,982	486,586	32,408	18,376	59,791	30,869	1,308,012
Accumulated depreciation							
As at January 1, 2023	(161,784)	(192,119)	(21,557)	(15,728)	–	(15,661)	(406,849)
Depreciation charge	(9,468)	(14,808)	(840)	(297)	–	(1,260)	(26,673)
Disposals	–	448	1	409	–	–	858
As at April 30, 2023	(171,252)	(206,479)	(22,396)	(15,616)	–	(16,921)	(432,664)
Net book value							
As at April 30, 2023	508,730	280,107	10,012	2,760	59,791	13,948	875,348

During the four months ended April 30, 2023, the addition of buildings represented the pledged assets and other assets received from Linyi Luyuan for settling its amount due to the Group in March 2023.

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of sales	25,444	28,013	36,935	12,943	14,923
Administrative expenses	10,538	9,968	13,699	3,525	3,722
Selling and marketing costs	4,427	4,104	4,904	1,514	1,778
Research and development costs	11,580	14,032	14,412	4,044	6,250
	51,989	56,117	69,950	22,026	26,673

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the net book value of property, plant and equipment and right-of-use assets which were pledged as collateral for the Group's borrowings is as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net book value of property, plant and equipment pledged as collateral	55,087	222,507	478,665	449,267
Net book value of right-of-use assets pledged as collateral *(Note 15)*	4,201	39,313	81,924	89,818
Borrowings secured by property, plant and equipment and right-of-use assets	40,000	258,000	375,000	510,000

15 LEASE

(a) Amounts recognized in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
– Land use rights	55,398	92,735	90,545	89,818
– Leased property	5,375	2,349	5,177	3,600
	60,773	95,084	95,722	93,418
Lease liabilities				
Current	(3,299)	(2,140)	(2,798)	(1,559)
Non-current	(1,085)	(448)	(2,310)	(1,771)
	(4,384)	(2,588)	(5,108)	(3,330)

(b) Amounts recognized in the consolidated income statements

The consolidated income statements show the following amounts relating to leases:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets					
– Land use rights	1,221	1,696	2,191	687	727
– Leased property	5,491	4,622	2,313	672	601
	6,712	6,318	4,504	1,359	1,328
Interest expense (included in finance costs – Note 10)	(302)	(183)	(91)	(50)	(45)
Expense relating to short-term leases or low-value assets (included in expenses by nature – Note 8)	2,123	3,048	6,613	326	2,286

The carrying amounts of the Group's right-of-use assets and the movements during the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023 are as follows, respectively:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	40,874	60,773	95,084	95,084	95,722
Additions	26,611	40,629	5,365	501	–
Depreciation charge	(6,712)	(6,318)	(4,504)	(1,359)	(1,328)
Disposals	–	–	(223)	–	(976)
At the end of the year/period	60,773	95,084	95,722	94,226	93,418

(c) Amounts recognized in the consolidated statements of cash flows

The consolidated statements of cash flows show the following amounts relating to leases:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash used in operating activities for leases	2,082	2,907	6,828	925	2,079
Cash used in investing activities for leases	5,600	29,000	9,391	3,643	–
Cash used in financing activities for leases	5,764	3,624	2,936	1,276	921
Total cash outflows for leases	13,446	35,531	19,155	5,844	3,000

(d) The Group's leasing activities and how these are accounted for:

The Group leases various offices and apartments. Rental contracts are typically made for fixed periods of 1 to 3.4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(e) Part of right-of-use assets are pledged as collateral for the Group's borrowings (refer to Note 14).

16 INTANGIBLE ASSETS

	Software
	RMB'000
At January 1, 2020	
Cost	5,389
Accumulated amortization	(4,686)
Net book amount	703
Year ended December 31, 2020	
Opening net book amount	703
Additions	3,803
Amortization charge *(Note 8)*	(1,077)
Closing net book amount	3,429

	Software
	RMB'000
At December 31, 2020	
Cost	9,192
Accumulated amortization	(5,763)
Net book amount	3,429
Year ended December 31, 2021	
Opening net book amount	3,429
Additions	114
Amortization charge *(Note 8)*	(969)
Closing net book amount	2,574
At December 31, 2021	
Cost	9,306
Accumulated amortization	(6,732)
Net book amount	2,574
At January 1, 2022	
Cost	9,306
Accumulated amortization	(6,732)
Net book amount	2,574
Year ended December 31, 2022	
Opening net book amount	2,574
Additions	94
Amortization charge *(Note 8)*	(957)
Closing net book amount	1,711
At December 31, 2022	
Cost	9,400
Accumulated amortization	(7,689)
Net book amount	1,711

	Software
	RMB'000
At January 1, 2022	
Cost	9,306
Accumulated amortization	(6,732)
Net book amount	2,574
Four months ended April 30, 2022 (Unaudited)	
Opening net book amount	2,574
Additions	94
Amortization charge *(Note 8)*	(307)
Closing net book amount	2,361
At April 30, 2022 (Unaudited)	
Cost	9,400
Accumulated amortization	(7,039)
Net book amount	2,361
At January 1, 2023	
Cost	9,400
Accumulated amortization	(7,689)
Net book amount	1,711
Four months ended April 30, 2023	
Opening net book amount	1,711
Additions	132
Amortization charge *(Note 8)*	(316)
Closing net book amount	1,527
At April 30, 2023	
Cost	9,532
Accumulated amortization	(8,005)
Net book amount	1,527

Amortization expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Administrative expenses	1,077	969	957	307	316

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	As at December 31,			As at April 30,
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets					
Financial assets at amortized cost:					
Trade and notes receivables	*23*	137,929	157,870	285,631	296,510
Lease receivables	*23*	–	–	19,417	14,618
Other receivables excluding prepayments	*24*	167,289	91,819	10,365	5,232
Time deposits	*26*	91,901	42,000	119,200	183,650
Cash and cash equivalents	*27*	175,370	222,012	395,038	483,587
Restricted cash	*27*	16,665	32,615	81,820	123,300
Financial assets at fair value:					
Financial assets at fair value through profit or loss (FVTPL)	*19*	63,564	428,027	533,565	581,881
Debt instruments at fair value through other comprehensive income	*20*	175,832	118,957	95,229	168,314
		828,550	1,093,300	1,540,265	1,857,092

	Note	As at December 31,			As at April 30,
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities					
Financial liabilities at amortized cost:					
Borrowings	*32*	155,912	666,051	656,586	944,079
Trade and notes payables	*28*	692,731	1,062,652	1,495,834	1,580,103
Other payables	*28*	67,376	177,055	109,630	101,955
Lease liabilities	*15*	4,384	2,588	5,108	3,330
		920,403	1,908,346	2,267,158	2,629,467

18 INVESTMENTS IN ASSOCIATES – GROUP

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Opening balance	952	929	1,243	1,243	1,444
Share of results	(23)	314	201	9	136
Ending balance	929	1,243	1,444	1,252	1,580

The particulars of the associates of the Group during the Track Record Period, all of which are unlisted, are set out as follows:

Companies name	Country/date of incorporation	Paid-in capital	% interests held As at December 31, 2020	2021	2022	As at April 30, 2023	Principle activities
Fujian Yizhou Power Technology Co., Ltd. ("Fujian Yizhou") (a)	Fu'an city, the PRC/October 27, 2006	RMB15,000,000	40	40	–	–	Development and manufacture of vehicle batteries
Hangzhou Xinxin Power Technology Co., Ltd. (formerly known as Hangzhou Guangyang Power Technology Co., Ltd.) ("Hangzhou Guangyang") (b)	Hangzhou city, the PRC/May 29, 2013	RMB2,460,000	30	30	–	–	Manufacture and sale of electric vehicles and accessories
Jinhua Luchi New Energy Technology Co., Ltd. ("Jinhua Luchi") (c)	Jinhua city, the PRC/November 9, 2016	RMB2,600,000	16	16	16	16	Development and manufacture of vehicle batteries

Notes:

(a) The Group disposed the equity interests in Fujian Yizhou in January 2022 to Lin Pingzai, a third party, at an aggregate consideration of RMB6,000,000 which has been fully settled in June 2022. The disposal gain is RMB6,000,000 since investment impairment had been fully provided in prior year. Following such transfer, the Group ceased to hold any equity interest in Fujian Yizhou (Note 7).

(b) The Group provided full provision of RMB4,310,000 for its investment in Hangzhou Guangyang in 2019. The Group disposed 30% of the equity interests in Hangzhou Guangyang in July 2022 to Zhu Liangjun, a third party at an aggregate consideration of RMB840,000 which had been fully settled in November 2022. Following such transfer, our Group ceased to hold any equity interest in Hangzhou Guangyang (Note 7).

(c) In 2016, the Group established Jinhua Luchi with Jinhua Keyuan Power Technology Co., Ltd. in the PRC and held 50% of its equity interests. In 2019, the Group agreed to increase capital of Jinhua Luchi and other shareholder injected RMB1,000,000 to Jinhua Luchi, which has diluted the Group's equity interests in Jinhua Luchi to 16%. Jinhua Luchi has been accounted for using the equity method since the Group has significant influence over Jinhua Luchi through its representation on the board of directors of Jinhua Luchi.

The table below provide summarized financial information for the associates, Hangzhou Guangyang, Jinhua Luchi and Fujian Yizhou, which are not material to the Group.

	Total assets	Total liabilities	Total revenue	Net profit/ (loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2020	37,742	(44,735)	54,910	(966)
Year ended December 31, 2021	34,314	(42,515)	22,921	(923)
Year ended December 31, 2022	15,688	(10,990)	29,963	1,255
Four months ended April 30, 2022 (Unaudited)	16,304	(12,806)	8,898	55
Four months ended April 30, 2023	19,907	(14,258)	6,379	451

There were no commitments and contingent liabilities relating to the Group's interests in associates as at December 31, 2020, 2021 and 2022 and as at April 30, 2023.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Certificate of deposits	–	337,925	470,045	479,950
Wealth management products and structured deposits	63,564	90,102	63,520	101,931
	63,564	428,027	533,565	581,881

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the Group's wealth management products and structured deposits and certificate of deposits were pledged as security for the Group's notes payable is as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– Notes payables secured by wealth management products and structured deposits and certificate of deposits	23,350	516,560	448,500	576,700
– Net book value of wealth management products and structured deposits and certificate of deposits pledged as collateral	11,680	390,000	435,000	457,059

20 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivables	175,832	118,957	95,229	168,314

21 RESERVES

Group	**Foreign currency translation**	**Statutory surplus reserve**	**Other reserves**	**Other comprehensive income**	**Total**
	RMB'000 *Note (a)*	*RMB'000* *Note (b)*	*RMB'000* *Note (c)*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	12,943	84,227	131,541	(742)	227,969
Changes in the fair value of debt instruments at fair value through OCI, net off tax	–	–	–	(313)	(313)
Currency translation differences	(339)	–	–	–	(339)
Appropriations to statutory reserve	–	5,004	–	–	5,004
Balance at December 31, 2020	12,604	89,231	131,541	(1,055)	232,321

Group	Foreign currency translation	Statutory surplus reserve	Other reserves	Other comprehensive income	Total
	RMB'000 *Note (a)*	*RMB'000* *Note (b)*	*RMB'000* *Note (c)*	*RMB'000*	*RMB'000*
Balance at January 1, 2021	12,604	89,231	131,541	(1,055)	232,321
Changes in the fair value of debt instruments at fair value through OCI, net off tax	–	–	–	(797)	(797)
Currency translation differences	(59)	–	–	–	(59)
Appropriations to statutory reserve	–	10,418	–	–	10,418
Balance at December 31, 2021	12,545	99,649	131,541	(1,852)	241,883
Balance at January 1, 2022	12,545	99,649	131,541	(1,852)	241,883
Changes in the fair value of debt instruments at fair value through OCI, net off tax	–	–	–	731	731
Currency translation differences	973	–	–	–	973
Appropriations to statutory reserve	–	3,630	–	–	3,630
Balance at December 31, 2022	13,518	103,279	131,541	(1,121)	247,217
Balance at January 1, 2022	12,545	99,649	131,541	(1,852)	241,883
Changes in the fair value of debt instruments at fair value through OCI	–	–	–	668	668
Currency translation differences	88	–	–	–	88
Balance at April 30, 2022 (Unaudited)	12,633	99,649	131,541	(1,184)	242,639
Balance at January 1, 2023	13,518	103,279	131,541	(1,121)	247,217
Changes in the fair value of debt instruments at fair value through OCI, net off tax	–	–	–	(230)	(230)
Currency translation differences	(7)	–	–	–	(7)
Balance at April 30, 2023	13,511	103,279	131,541	(1,351)	246,980

Notes:

(a) Foreign currency translation

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("SSR") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilized to offset prior years' losses or to increase paid-in capital. However, SSR shall be maintained at a minimum of 25% of registered capital/share capital after such utilization.

The SSR are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations.

(c) The other reserves included below:

- Merger reserve of RMB145,879,000: Merger reserve represented the net asset value of the subsidiaries comprising the Group acquired by the Company in excess of the nominal value of the Company's shares issued for the interests of the subsidiaries pursuant to the reorganization in 2010.

- Redemption reserve of negative RMB14,338,000: Pursuant to a share subscription agreement dated April 22, 2015 entered into between the Company, New Healthcare PPE and New Power PPE, New Healthcare PPE and New Power PPE subscribed 1,017,961 shares and 1,542,039 shares of the Company, at a total consideration of USD10,811,500. On September 3, 2018, all shares issued to New Healthcare PPE and New Power PPE were repurchased by the Company at a consideration of USD5,154,454.8 and USD7,813,800, respectively. The difference between the repurchase consideration and the equity interests held by New Healthcare PPE and New Power PPE was debited to equity as redemption reserve.

22 INVENTORIES

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	51,945	100,482	97,582	99,863
Work in progress	10,410	28,531	50,927	59,460
Finished goods	145,880	257,604	295,046	258,552
Goods in transit	254	1,454	2,117	1,644
	208,489	388,071	445,672	419,519

No inventory provision was made for the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023.

During the years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2022 and 2023, inventories recognized as cost of sales amounted to approximately RMB1,934,551,000, RMB2,792,874,000, RMB3,919,913,000, RMB970,349,000 and RMB1,347,065,000 respectively.

23 TRADE AND NOTES AND LEASE RECEIVABLES

(a) Trade and notes receivables

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	143,040	149,013	189,664	274,164
Less: Provision for impairment of receivables	(30,426)	(22,162)	(22,212)	(27,293)
	112,614	126,851	167,452	246,871

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivables	25,358	31,088	118,850	49,823
Less: Provision for impairment of receivables	(43)	(69)	(436)	(184)
	25,315	31,019	118,414	49,639
	137,929	157,870	285,866	296,510

The ageing analysis of trade receivables, based on the revenue recognition date is as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	101,919	118,530	167,566	235,518
Between 1 and 2 years	18,019	12,026	4,212	19,491
Between 2 and 3 years	9,442	7,160	2,558	3,610
Over 3 years	13,660	11,297	15,328	15,545
	143,040	149,013	189,664	274,164

(b) Lease receivables

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables – current *(Note 37 (d))*	–	–	9,178	9,655
Finance lease receivables – non-current *(Note 37 (d))*	–	–	10,239	5,348
	–	–	19,417	15,003
Less: Provision for impairment of receivables – current	–	–	(235)	(248)
Less: Provision for impairment of receivables – non-current			(263)	(137)
	–	–	(498)	(385)
	–	–	18,919	14,618

During the year ended December 31, 2022, the Group sold goods amounting to RMB16,337,000 to Jinhua Hongzi Investment Holding Co., Ltd. ("Jinhua Hongzi") under a finance lease as a manufacturer lessor. The finance lease is with a period of 2 years.

The amount of lease receivables to be received is as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	–	–	9,178	9,655
Over 1 year	–	–	10,239	5,348
	–	–	19,417	15,003

Majority of Group's trade and notes and lease receivables were denominated in RMB.

24 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments for construction and equipments	11,874	37,146	29,459	37,546
Loans to third parties *(e)*	11,260	–	–	–
Deposits	1,165	1,196	1,496	1,850
Payment of decoration costs *(a)*	411	54,218	85,113	96,027
Less: Provision for impairment of other receivables	(238)	(28)	(40)	(50)
	24,472	92,532	116,028	135,373
Current				
Prepayments for raw materials	6,769	164,132	25,384	4,788
Prepaid expenses	5,997	8,686	11,567	29,295
Prepaid taxes and surcharges and input VAT to be deducted	3,371	19,371	10,865	11,952
Receivables from disposal of a subsidiary *(b)*	48,000	–	–	–
Receivables from disposal of land use rights *(c)*	20,000	20,000	20,000	20,000
Loans to a related party *(d)*	95,620	58,500	11,000	–
Loans to third parties *(e)*	18,931	41,062	5,648	5,648
Deposits	1,061	1,108	1,360	554
Payment of decoration costs *(a)*	176	33,181	70,162	85,172
Prepayments for listing expenses	–	54	5,745	8,156
Others	9,296	8,690	9,097	8,767
Less: Provision for impairment of other receivables	(37,806)	(38,709)	(38,196)	(31,537)
	171,415	316,075	132,632	142,795
	195,887	408,607	248,660	278,168

(a) The Group provides reimbursement for store decoration to distributors, which are in substance payment to customer. The reimbursement is capitalized as prepayment to distributors and subsequently deducted from revenue consistent with the method to recognize revenue from sale of products.

(b) In March 2018, the Group agreed with Jiangsu Zongshen Motorcycle Co., Ltd. ("Jiangsu Zongshen") on the disposal of 100% share of Xuzhou Zongshen Electric Vehicle Co., Ltd. (formerly known as Luyuan Electric Vehicle Jiangsu Co., Ltd.) with a consideration of RMB148,000,000. Jiangsu Zongshen paid RMB100,000,000 in 2018 and RMB43,940,000 in 2021 to the Group and the remaining balance has been written off.

(c) In May 2016, the Group transferred two pieces of land use rights located in the development zone of Yinan County to Yinan County Urban State owned Assets Operation Co., Ltd. with a consideration of RMB80 million, among which, RMB60 million had been paid in prior year and remaining RMB20 million had not been paid yet. The Group has made full provision for the balances prior to the Track Record Period.

(d) As at December 31, 2020, 2021 and 2022, the balances due from a related party represented the loan to Linyi Luyuan Real Estate Co., Ltd. ("Linyi Luyuan") in 2019, which were secured by apartments and shops owned by Linyi Luyuan, with an annual interest rate of 6%. The original maturity period was one year and subsequently extended one year until December 31, 2021. The Group filed a lawsuit to Linyi Luyuan in July 2022 for this loan and made an impairment provision of RMB4,688,000 for this loan as at December 31, 2022, taking into account of its collateral. In March 2023, Linyi Luyuan settled the amount due to the Group with its pledged assets and other assets.

(e) Loans to third parties mainly included the loans to certain distributors and employees, with period ranging from 3 months to 42 months and an annual interest rate ranging from 3.8% to 6%.

The maximum exposure to credit risk at each of the reporting period ends is the carrying value of each class of receivables mentioned above.

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the fair value of other receivables approximate their carrying amounts.

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the carrying amounts of other receivables and prepayments are denominated in RMB, USD and HKD.

25 DEFERRED INCOME TAX

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets to be recovered				
– within 12 months	13,605	13,721	12,354	12,236
– after 12 months	4,304	10,545	11,496	12,672
	17,909	24,266	23,850	24,908
Deferred tax liabilities to be settled				
– within 12 months	(3,175)	(3,123)	(6,821)	(5,822)
– after 12 months	–	–	–	–
	(3,175)	(3,123)	(6,821)	(5,822)
Deferred tax assets, net	14,734	21,143	17,029	19,086

The movement in deferred income tax assets and liabilities during each of the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Loss allowances for financial assets	Lease liabilities	Government grants	Accrued expenses and warranties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 1, 2020	1,385	13,621	1,417	–	766	17,189
(Charged)/credit to the income statements	(1,385)	(1,072)	(361)	3,521	17	720
At December 31, 2020	–	12,549	1,056	3,521	783	17,909
Credited/(charged) to the consolidated income statements	4,547	(6)	(368)	1,252	932	6,357
At December 31, 2021	4,547	12,543	688	4,773	1,715	24,266
(Charged)/credited to the consolidated income statements	(621)	(1,488)	611	1,756	(674)	(416)
At December 31, 2022	3,926	11,055	1,299	6,529	1,041	23,850
At December 31, 2022	3,926	11,055	1,299	6,529	1,041	23,850
Credit/(charged) to the consolidated income statements	4,361	346	(466)	(3,322)	139	1,058
At April 30, 2023	8,287	11,401	833	3,207	1,180	24,908

The PRC subsidiaries of the Group had unrecognized tax losses available to offset against future profits as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2023	–	–	–	–
2024	2,881	2,787	2,787	–
2025	4,513	4,426	4,426	–
2026 and after	–	25	225	378
	7,394	7,238	7,438	378

Deferred income tax liabilities

	Right-of-use assets	Fair value change of financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	(1,508)	(2,108)	(3,616)
Credited to OCI	–	105	105
Credited to the consolidated income statements	296	40	336
At December 31, 2020	(1,212)	(1,963)	(3,175)
Credited to OCI	–	265	265
Credited/(charged) to the consolidated income statements	551	(764)	(213)
At December 31, 2021	(661)	(2,462)	(3,123)
Charged to OCI	–	(243)	(243)
Charged to the consolidated income statements	(291)	(3,164)	(3,455)
At December 31, 2022	(952)	(5,869)	(6,821)
At December 31, 2022	(952)	(5,869)	(6,821)
Credited to OCI	–	77	77
Credited to the consolidated income statements	308	614	922
At April 30, 2023	(644)	(5,178)	(5,822)

Net impact to income statement and other comprehensive income

	Year ended December 31,			Four months ended April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets				
Credited/(charged) to the consolidated income statements	720	6,357	(416)	1,058
	720	6,357	(416)	1,058
Deferred income tax liabilities				
Charged/(credited) to OCI	105	265	(243)	77
Charged/(credited) to the consolidated income statements	336	(213)	(3,455)	922
	441	52	(3,698)	999
	1,161	6,409	(4,114)	2,057

26 TIME DEPOSITS

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Time deposits denominated in RMB	71,897	–	–	–
Current				
Time deposits denominated in RMB	20,004	42,000	119,200	183,650
	91,901	42,000	119,200	183,650

The balances represented time deposits with period ranging from 7 days to 3 years, with the annual interest rates from 1.80% to 4.00%.

27 CASH AT BANK AND ON HAND

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand				
– denominated in RMB	188,534	249,423	476,325	606,649
– denominated in USD	3,274	1,796	245	103
– denominated in HKD	54	3,400	288	135
– denominated in VND	173	8	–	–
	192,035	254,627	476,858	606,887

The effective interest rates on the Group's bank deposits as December 31, 2020, 2021 and 2022 and as April 30, 2023 were ranging from 0.01% to 0.30%.

Cash and cash equivalents of the Group were determined as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	192,035	254,627	476,858	606,887
Less: Restricted cash	(16,665)	(32,615)	(81,820)	(123,300)
	175,370	222,012	395,038	483,587

Restricted cash of the Group comprised of the following:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantee deposits for bank notes	16,665	32,615	81,820	123,300

28 TRADE AND NOTES AND OTHER PAYABLES

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	305,712	538,458	588,356	825,990
Notes payable	387,019	524,194	907,478	754,113
Other tax payables	24,660	19,595	37,756	42,824
Payable for land and equipment	15,729	117,090	43,460	23,978
Deposits	30,523	19,988	8,339	8,948
Accrued expenses	19,346	34,462	40,845	59,231
Loans and interest payable to a related party *(Note 37)*	–	3,282	–	–
Accrued payroll	34,176	47,299	61,426	42,739
Unfulfilled government grants *(Note 31)*	–	–	14,214	5,000
Others	1,778	2,233	2,772	4,798
	818,943	1,306,601	1,704,646	1,767,621

The ageing analysis of trade payables based on invoice date as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 are as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	260,057	520,996	577,359	812,649
Between 1 and 2 years	34,492	4,174	5,300	6,375
Between 2 and 3 years	7,892	2,150	2,541	4,522
Over 3 years	3,271	11,138	3,156	2,444
	305,712	538,458	588,356	825,990

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the fair value of trade and notes and other payables approximate their carrying amounts.

As at December 31, 2020, 2021 and 2022 and as at April 30, 2023, the carrying amounts of trade and notes and other payables are denominated in RMB, USD and HKD.

29 CONTRACT LIABILITIES

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from distributors for sales of electric vehicles	57,132	82,888	96,384	63,382

(a) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year: sales of electric vehicles	59,164	57,132	82,888	81,305

30 PROVISIONS

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Warranty costs	705	1,689	2,432	2,729
Current				
Warranty costs	3,417	3,136	4,518	5,339
Provisions for litigation	1,093	3,341	58	455
	4,510	6,477	4,576	5,794

31 DEFERRED INCOME

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	14,085	20,803	14,558	15,375

Notes:

(a) Deferred income represents government grants relating to assets and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(b) The Group's subsidiary, Guangxi Luyuan, received the government grant of RMB14,214,000 in 2020 from the government of Guigang City, Guangxi province, the PRC for the land and plant invested by the Group. In December 2022, the government modified the preconditions of this government grant pursuant to which the government grant subjected to approval from the government upon receiving application from the Group. By the end of 2022, the Group did not yet submit the application to the government and had not received reply from the government, thus the preconditions had not been met. As a result, the Group reclassified the cash received of RMB14,214,000 for this government grant to other payables (Note 28) as at December 31, 2022. During the four months ended April 30, 2023, Guangxi Luyuan has submitted applications for all the above government grants to the local government and part of the applications with the amount of RMB9,214,000 have been officially approved by the local government, for which the Group has recognized as other income.

(c) The amount of amortization charged in other income was shown as follow:

	As at December 31,			As at April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Amortization charged in other income (included in Note 6)	129	765	709	394	563

32 BORROWINGS

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
– Bank loans-secured *(a)*	–	188,000	375,424	450,442
– Bank loans-unsecured	–	–	50,000	49,400
Less: Current portion of long-term borrowings				
– Bank loans-secured *(a)*	–	(45,000)	(54,500)	(5,400)
– Bank loans-unsecured	–	–	(1,200)	(1,200)
Total non-current borrowings	–	143,000	369,724	493,242
Borrowings included in current liabilities:				
– Bank loans-secured *(a)*	20,024	40,451	3,132	10,237
– Bank loans-unsecured	85,888	207,000	104,000	84,000
– Other borrowings *(d)*	30,000	200,600	124,030	350,000
– Other financial institution borrowings-secured *(c)*	20,000	30,000	–	–
Add: Current portion of long-term borrowings				
– Banks loans-secured *(a)*	–	45,000	54,500	5,400
– Bank loans-unsecured	–	–	1,200	1,200
Total current borrowings	155,912	523,051	286,862	450,837
Total borrowings	155,912	666,051	656,586	944,079

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's property, plant and equipment (Note 14), right-of-use assets (Note 15), the Group's equity interests in Guangxi Luyuan and trade receivables of a subsidiary of the Group.

(b) All the borrowings as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 are denominated in RMB.

(c) In December 2020 and November 2021, the Company's subsidiary, Zhejiang Luyuan entered into separate agreements for sale and leaseback of property, plant, and equipment with Maxwealth Financial Leasing Co., Ltd. pursuant to which the fair value of lease principals amounted to RMB24,049,000 and RMB35,489,000, respectively, with annual interest accruing at 1.7% and 1.75%. Among which RMB19,830,000 was settled by bank notes in 2020 and repaid by cash in 2021. The borrowing of RMB29,745,000 was settled by bank notes in 2021 and repaid by cash in 2022. Based on the assessment of management of the Group, Maxwealth Financial Leasing Co., Ltd. did not obtain control of the assets and the transfer of assets did not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the assets. Therefore, the Group continued to recognize the assets and recognized borrowings according to HKFRS 9.

(d) The balances of other borrowings represented the borrowings from discount of the bank notes of the Group.

The maturity of non-current borrowings at the reporting dates is as follows:

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Between 1 and 2 years	–	93,000	116,124	152,842
Between 2 and 3 years	–	15,000	207,600	274,400
Between 3 and 5 years	–	35,000	46,000	66,000
	–	143,000	369,724	493,242

The weighted average effective interest rates as at December 31, 2020, 2021 and 2022 and as at April 30, 2023 were as follows:

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
Bank borrowings	4.28%	3.95%	3.55%	3.67%
Other borrowings	1.94%	1.53%	1.68%	2.28%
Other financial institution borrowings	1.75%	1.70%	1.70%	1.70%

33 SHARE CAPITAL

The Company was incorporated on February 18, 2009 with an initial authorized share capital of USD50,000 divided into 50,000 shares of a par value of USD1.00 each,of which 1 share was issued and allotted to an independent third party at par, and was transferred to Mr. Jing at par on the same date.

On July 16, 2010, 999 shares were issued and allotted to Mr. Jing for a consideration of USD999. Immediately upon such allotment, Mr. Jing held a total of 1,000 shares in the Company. On the same date, Mr. Jing transferred 300 shares, 300 shares and 400 shares to Apex Marine Investments Limited ("Apex Marine") wholly owned by Ms. Hu Jihong, Drago Investments Limited ("Drago Investments") wholly owned by Mr. Ni Jie and Best Expand Holdings Limited ("Best Expand") jointly owned by Mr. Ni Jie and Ms. Hu Jihong for a consideration of USD300, USD300 and USD400, respectively.

On June 27, 2011, Best Expand transferred 110 shares,110 shares and 80 shares to Apex Marine Drago Investments and Shipston Electric Vehicle Limited ("Shipston") for a consideration of USD110, USD110 and USD6,100,000 respectively.

On June 28, 2011, 902 shares, 902 shares, 220 shares and 176 shares were issued and allotted to Apex Marine, Drago Investments, Best Expand and Shipston, respectively, at par by the Company.

On July 13, 2011, each share of the authorized capital of the Company was subdivided into 10,000 ordinary shares of a par value of USD0.0001 each. Immediately following the above subdivision, the authorized share capital of the Company was altered to USD50,000 divided into 500,000,000 shares of a nominal or par value of USD0.0001 each, among which Apex Marine, Drago Investments, Best Expand and Shipston held 13,120,000 shares, 13,120,000 shares, 3,200,000 shares and 2,560,000 shares, representing 41.0%, 41.0%, 10.0% and 8.0% of the then issued share capital of the Company, respectively.

Issued share capital

	Number of issued shares	Share capital	Share capital
		USD'000	*RMB'000*
As at February 18, 2009 (date of incorporation)	1	1	6
As at December 31, 2020, 2021 and 2022 and as at April 30, 2023	32,000,000	3.2	22

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash generated from operations:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit before income tax	43,317	61,591	122,248	9,655	39,087
Adjustments for:					
– Impairment losses on financial assets	6,174	(908)	1,650	1,368	(1,772)
– Gains on disposals of associates *(Note 7)*	–	–	(6,840)	(6,000)	–
– Gains on disposals of a subsidiary *(Note 7)*	–	–	(27)	–	–
– Depreciation and amortization *(Note 8)*	59,778	63,404	75,411	23,692	28,317
– Amortization of government grant related to asset *(Note 31)*	(129)	(765)	(709)	(394)	(563)
– Share of results of associates *(Note 18)*	23	(314)	(201)	(9)	(136)
– Finance costs – net *(Note 10)*	172	7,241	3,735	7,957	6,244
– Losses on disposals of property, plant and equipment and right-of-use assets *(Note 7)*	1,897	761	(1,706)	84	72
– Interest income from related parties and third parties *(Note 6)*	(6,159)	(3,463)	(31)	(1,386)	–
– Interest income from time deposits *(Note 6)*	(3,822)	(729)	(2,399)	(1,493)	(725)
– Exchange gains or losses *(Note 7)*	733	16	(1,121)	(36)	3
– Fair value gains from FVTPL *(Note 7)*	(8,674)	(14,857)	(19,588)	(5,552)	(4,201)
Changes in working capital					
– Trade and notes receivables	1,714	(14,200)	(149,049)	(40,131)	(10,698)
– Other receivables and prepayments	15,384	(259,483)	78,641	46,627	(21,964)
– Inventories	(73,573)	(179,645)	(57,601)	5,293	26,153
– Restricted cash	88,194	(15,950)	(49,205)	19,295	(41,620)
– Trade and notes payables	(7,140)	369,965	433,179	123,563	84,270
– Contract liabilities	(2,032)	25,756	13,496	36,423	(33,002)
– Other payables	9,823	14,672	26,782	(12,225)	3,681
– Debt instruments at FVOCI	(140,144)	85,824	24,459	1,592	(73,315)
Net cash (used in)/generated from operations	(14,464)	138,916	491,124	208,323	(169)

(b) Liabilities arising from financing activities

This section sets out an analysis of the movements for each of the periods presented.

	As at December 31,			As at April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash and cash equivalents	175,370	222,012	395,038	411,551	483,587
Borrowings	(155,912)	(666,051)	(656,586)	(819,210)	(944,079)
Loan from a related party	–	(3,282)	–	(3,282)	–
Lease liabilities	(4,384)	(2,588)	(5,108)	(1,863)	(3,330)
Net cash/(debt)	15,074	(449,909)	(266,656)	(412,804)	(463,822)

(c) Net debt reconciliation

Liabilities from financing activities

	Borrowings	Loan from a related party	Lease liabilities	Cash and cash equivalents	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2020	(135,640)	–	(9,099)	209,504	64,765
Net cash flows	(14,135)	–	5,764	(33,062)	(41,433)
New leases	–	–	(747)	–	(747)
Foreign exchange adjustments	–	–	–	(1,072)	(1,072)
Interest expense	(6,608)	–	(302)	–	(6,910)
Other changes	471	–	–	–	471
Balance as at December 31, 2020	(155,912)	–	(4,384)	175,370	15,074
Balance as at January 1, 2021	(155,912)	–	(4,384)	175,370	15,074
Net cash flows	(465,204)	(3,271)	3,624	46,717	(418,134)
New leases	–	–	(1,645)	–	(1,645)
Foreign exchange adjustments	–	–	–	(75)	(75)
Interest expense	(15,190)	(11)	(183)	–	(15,384)
Other changes	(29,745)	–	–	–	(29,745)
Balance as at December 31, 2021	(666,051)	(3,282)	(2,588)	222,012	(449,909)
Balance as at January 1, 2022	(666,051)	(3,282)	(2,588)	222,012	(449,909)
Net cash flows	34,091	3,338	2,935	170,932	211,296
New leases	–	–	(5,365)	–	(5,365)
Foreign exchange adjustments	–	–	–	2,094	2,094
Interest expense	(24,626)	(56)	(90)	–	(24,772)
Balance as at December 31, 2022	(656,586)	–	(5,108)	395,038	(266,656)

	Borrowings	Loan from a related party	Lease liabilities	Cash and cash equivalents	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2022	(666,051)	(3,282)	(2,588)	222,012	(449,909)
Net cash flows	(143,613)	–	1,276	189,503	47,166
New leases	–	–	(501)	–	(501)
Foreign exchange adjustments	–	–	–	36	36
Interest expense	(9,546)	–	(50)	–	(9,596)
Balance as at April 30, 2022 (Unaudited)	(819,210)	(3,282)	(1,863)	411,551	(412,804)
Balance as at January 1, 2023	(656,586)	–	(5,108)	395,038	(266,656)
Net cash flows	(275,977)	–	921	88,559	(186,497)
New leases	–	–	–	–	–
Foreign exchange adjustments	–	–	–	(10)	(10)
Interest expense	(11,516)	–	(45)	–	(11,561)
Other changes	–	–	902	–	902
Balance as at April 30, 2023	(944,079)	–	(3,330)	483,587	(463,822)

(d) Non-cash investing and financing activities

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loans to a related party settled by fixed assets	–	–	–	–	11,000

35 COMMITMENTS

(a) Property development expenditure commitments

Property development expenditure committed at each balance sheet date but not yet incurred is as follows:

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	10,963	62,918	26,380	37,721

(b) Non-cancellable lease

At the balance sheet dates, lease commitments for the Group for leases not yet commenced or short-term leases and low value leases are as follows:

	As at December 31,			As at April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	186	2,020	1,937	1,281
Later than 1 year and no later than 5 years	–	378	–	–

36 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of December 31, 2020, 2021 and 2022 and as of April 30, 2023.

37 RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	**Relationship with the Group**
Mr. Ni Jie	Controlling Shareholder, Chairman of the board of directors
Ms. Hu Jihong	Executive Director, Controlling Shareholder and spouse of Mr. Ni Jie
Ms. Ni Boyuan	Senior management, daughter of Mr. Ni Jie and Ms. Hu Jihong
Fujian Yizhou *(Note 18)*	Associate, disposed in February 2022
Jinhua Luchi *(Note 18)*	Associate
Hangzhou Guangyang *(Note 18)*	Associate, disposed in July 2022
Jinhua Luyuan Electric Vehicle Co., Ltd.	Controlled by Mr. Ni Jie
Linyi Luyuan	*(Note)*
Jinhua Baili Network Technology Co., Ltd.	Controlled by Ms. Ni Boyuan
Fengxian Wanrun Vehicle Industry Co., Ltd. ("Fengxian Wanrun")	Controlled by Mr. Zeng Shenghong and Mr. Chen Jianpu, deregistered in January 2023
Fujian Yizhou Electric Vehicle Co., Ltd.	In which Mr. Chen Guosheng serve as an executive until February 2022
Jinhua Hongzi	Controlled by Ms. Ni Boyuan until October 2022 and in which Mr. Chen Jianpu served as a supervisor until February 2023
Jinhua Xuli Shock Absorber Co., Ltd.	In which Mr. Chen Jianpu served as a supervisor until October 2022
Mr. Chen Guosheng	Executive Director, chief financial officer and a joint company secretary
Mr. Chen Jianpu	Senior management of subsidiaries
Mr. Zeng Shenghong	Senior management of subsidiaries

Note: Linyi Luyuan was controlled by Ms. Hu Jihong from May 2016 to June 2022 with 70% equity interests. Ms. Hu Jihong disposed 63.33% equity interests in Linyi Luyuan to Hongyang (Shanghai) Project Management Center in June 2022. Since then, Ms. Hu Jihong did not control Linyi Luyuan but still holds 6.67% equity interests.

(b) Transactions with related parties

The Group has the following related party transactions:

(i). Purchase of raw materials and services

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fujian Yizhou	43,679	5,700	–	–	N/A
Jinhua Luchi	–	111	2,043	820	1,472
Fengxian Wanrun	9,964	3,905	37	37	–
Jinhua Xuli Shock Absorber Co., Ltd.	5,352	8,620	4,901	1,269	N/A
Jinhua Baili Network Technology Co., Ltd.	23	–	–	–	–
	59,018	18,336	6,981	2,126	1,472

(ii). Revenue from selling products and services

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Hangzhou Guangyang	2,237	–	–	–	N/A
Jinhua Baili Network Technology Co., Ltd.	1,996	138	459	5	–
Fujian Yizhou Electric Vehicle Co., Ltd.	–	47	4,398	432	N/A
Jinhua Hongzi *(Note 23(b))*	–	–	16,337	2,021	–
Jinhua Luchi	1	–	–	–	–
Jinhua Luyuan Electric Vehicle Co., Ltd.	–	–	780	–	–
	4,234	185	21,974	2,458	–

(iii). Repayment of loans by a related party

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Linyi Luyuan *(Note 24)*	5,380	37,120	47,500	8,500	11,000

(iv). Interest income from a related party

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Linyi Luyuan *(Note 24)*	6,043	2,394	–	1,354	–

(v). Loans from a related party

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Mr. Ni Jie	–	3,271	–	–	–

The amount represented a loan of USD4,000,000 from Mr. Ni Jie to the Group with a period from November 30, 2021 to May 30, 2022, at an annual interest rate of 4%, which has been repaid in 2022.

(vi). Repayment of loans to a related party

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Mr. Ni Jie	–	–	3,395	–	–

(vii). Interest expense to a related party

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Mr. Ni Jie	–	11	56	44	–

(viii). Purchase of land use rights

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd. *(Note 11(vii))*	–	37,089	–	–	–

(ix). Interests on lease liabilities

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd.	203	53	–	–	–

Zhejiang Luyuan leased in a property from Jinhua Luyuan Electric Vehicle Co., Ltd. since July 2018 to December 2021.

(c) Due to related parties

(i). Trade payables

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinhua Xuli Shock Absorber Co., Ltd.	553	1,218	N/A	N/A
Hangzhou Guangyang	403	403	N/A	N/A
Fujian Yizhou	3,071	500	N/A	N/A
Fengxian Wanrun	253	–	–	N/A
Jinhua Luchi	–	9	–	941
	4,280	2,130	–	941

(ii). Non-trade payables due to related parties

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd. *(Note 11(vii))*	–	37,089	–	–
Mr. Ni Jie	–	3,282	–	–
	–	40,371	–	–

(iii). Lease liabilities

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd.	2,095	–	–	–

(d) Due from related parties

(i). Trade receivables

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hangzhou Guangyang	2,371	–	N/A	N/A
Fujian Yizhou Electric Vehicle Co., Ltd.	–	69	N/A	N/A
	2,371	69	N/A	N/A

(ii). Prepayments to related parties – trade

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fengxian Wanrun	–	42	–	N/A
Jinhua Luchi	–	–	532	–
	–	42	532	–

(iii). Other receivables

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– Trade				
Fengxian Wanrun	173	–	–	N/A

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– Non-trade				
Linyi Luyuan *(Note 24(d))*	95,620	58,500	11,000	–

As at December 31, 2020, 2021 and 2022, the principal amount of the loan to Linyi Luyuan was RMB95,620,000, RMB58,500,000 and RMB11,000,000, with impairment of RMB1,820,000, RMB3,109,000 and RMB4,688,000 respectively. Linyi Luyuan settled the amount with its pledged assets and other assets with the Group in March 2023 and therefore, the Group reversed the impairment accordingly.

(iv). Lease receivables – trade

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinhua Hongzi *(Note 23(b))*	–	–	19,417	N/A

As at December 31, 2022 and as at April 30, 2023, the book balance of the lease receivables from Jinhua Hongzi was RMB19,417,000 and RMB15,003,000, with impairment of RMB498,000 and RMB385,000 respectively. Jinhua Hongzi was no longer a related party of the Group since March 2023.

(e) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, vice presidents and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries and other short-term employee benefits	2,401	2,573	6,367	2,122	2,283
Retirement benefit scheme contribution	121	114	86	29	29
	2,522	2,687	6,453	2,151	2,312

38 SUBSEQUENT EVENTS

(1) Capitalization issue

Pursuant to the written resolutions of the shareholders of the Company passed on August 21, 2023, conditional on the share premium account of the Company being credited as a result of the Global Offering, the directors of the Company were authorized to allot and issue a total of 288,000,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company on the date of the passing of the resolution in proportion to their respective shareholdings by way of capitalization of the sum of US$28,800 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued shares ("Capitalization Issue").

(2) Employee share option plan

The pre-IPO share scheme (the "Pre-IPO Share Scheme") was approved and adopted by the Board of the Company on July 20, 2023 (the "Pre-IPO Share Scheme adoption date"). A total of 108 Pre-IPO eligible participants have been granted options under the Pre-IPO Share Scheme which corresponded to 16,736,000 underlying shares in aggregate, representing 3.92% of the total issued shares immediately after the completion of the global offering and the Capitalization Issue.

The share options granted under the Pre-IPO Share Scheme are to vest in accordance with the following vesting schedule: (a) 10% of the share options are to vest on the first anniversary of the Pre-IPO Scheme adoption date; (b) 20% of the share options are to vest on the second anniversary of the Pre-IPO Scheme adoption date; (c) 30% of the share options are to vest on the third anniversary of the Pre-IPO Scheme adoption date; and (d) 40% of the share options are to vest on the fourth anniversary of the Pre-IPO Scheme adoption date. The fair value of the share options at the grant date amounted to approximately RMB100 million.

Save as disclosed above, there have been no other significant events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRS.

39 NOTES TO COMPANY BALANCE SHEETS

(a) Interests in subsidiaries

	As at December 31,			As at April 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a subsidiary *(a)*	8,416	8,224	8,983	8,931
Interests in subsidiaries	145,879	145,879	145,879	145,879
	154,295	154,103	154,862	154,810

(a) These amounts due from a subsidiary represent equity funding by the Company to its subsidiary, Luyuan International Limited and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing.

(b) Reserves and retained earnings

	Other reserves	Foreign currency translation	Retained earnings	Total
	RMB'000 *(Note 21(c))*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	131,541	(202)	26,053	157,392
Total loss	–	–	(74)	(74)
Currency translation differences	–	(742)	–	(742)
Balance at December 31, 2020	131,541	(944)	25,979	156,576
Total loss	–	–	(1,772)	(1,772)
Currency translation differences	–	(226)	–	(226)
Balance at December 31, 2021	131,541	(1,170)	24,207	154,578
Total loss	–	–	(1,396)	(1,396)
Currency translation differences	–	764	–	764
Balance at December 31, 2022	131,541	(406)	22,811	153,946
Balance at December 31, 2022	131,541	(406)	22,811	153,946
Total loss	–	–	(140)	(140)
Currency translation differences	–	(48)	–	(48)
Balance at April 30, 2023	131,541	(454)	22,671	153,758

40 DIVIDENDS

No dividend has been paid or declared by the Company during the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2023 and up to the date of this report. No dividend or distribution have been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2023.

The following information set forth does not form part of the "Accountant's Report" from the PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on April 30, 2023 and based on the audited consolidated net tangible assets attributable to the owners of the Company as at April 30, 2023 as shown in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to the owners of the Company as at April 30, 2023 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at April 30, 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at April 30, 2023	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$6.00 per Share	719,114	538,311	1,257,425	2.95	3.22
Based on an Offer Price of HK$8.00 per Share	719,114	726,021	1,445,135	3.39	3.70

Notes:

1. The audited consolidated net tangible assets attributable to the owners of the Company as at April 30, 2023 is extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at April 30, 2023 of approximately RMB720,641,000 with an adjustment for the intangible assets as of April 30, 2023 of approximately RMB1,527,000.

2. The estimated net proceeds from the Global Offering are based on 106,667,000 new Shares and the indicative Offer Price of HK$6.00 or HK$8.00 per Offer Share after deduction of the underwriting fees and other related expenses, excluding listing expenses of approximately RMB19,342,000 which has been accounted for in the consolidated statements of comprehensive income up to April 30, 2023.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that a total of 426,667,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue had been completed on April 30, 2023.

4. For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the amounts stated in Hong Kong dollars are converted into Renminbi at a rate of HK$1 to RMB0.91663. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

5. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to April 30, 2023.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Luyuan Group Holding (Cayman) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Luyuan Group Holding (Cayman) Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at April 30, 2023, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated September 28, 2023, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at April 30, 2023 as if the proposed initial public offering had taken place at April 30, 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the four months ended April 30, 2023, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, issued by the HKICPA and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at April 30, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, September 28, 2023

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on August 21, 2023 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display – 2. Documents Available on Display."

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on August 21, 2023 and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2009 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display – 2. Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on February 18, 2009. We have established a principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 22, 2014. Ms. Chu Cheuk Ting has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US$50,000.00, divided into 50,000 shares of a nominal or par value of US$1.00 each.

On July 13, 2011, each share of a par value of US$1.00 of the authorized share capital of our Company (including issued and unissued share capital) was subdivided into 10,000 shares of a par value of US$0.0001 each, and immediately following the aforesaid subdivision, the authorized share capital of our Company was altered to US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each.

On August 21, 2023, our Company resolved, among other things, that conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and such grant and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange, (2) the Offer Price being fixed on the Price Determination Date, and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein (unless and to the extent such conditions are validly waived on or before such dates and times as specified in the Underwriting Agreements) or otherwise, the authorized share capital of the Company be increased from US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each to US$100,000 divided into 1,000,000,000 Shares of a par value of US$0.0001 each by the creation of an additional 500,000,000 Shares with a par value of US$0.0001 each to rank *pari passu* in all respects with the existing issued Shares.

Immediately following the completion of the Global Offering and the Capitalization Issue, and without taking into account any Shares which may be issued under the Post-IPO Share Scheme, the issued share capital of our Company will be US$42,666.7, divided into 426,667,000 Shares of a par value of US$0.0001 each, all fully paid or credited as fully paid and 573,333,000 Shares of a par value of US$0.0001 each will remain unissued.

There has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

The following subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

- Luyuan Technology Holding (Zhejiang) Co., Ltd (綠源科技控股(浙江)有限公司) was established in the PRC as a wholly-foreign owned enterprise on December 7, 2021 with a registered capital of RMB50,000,000; and

- Zhejiang Luyuan International Trade was established in the PRC as a wholly-foreign owned enterprise on March 22, 2022 with a registered capital of RMB10,000,000.

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- On December 23, 2021, the registered capital of Zhejiang Luyuan was decreased from US$53,000,000 to US$12,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions in Writing of the Shareholders of Our Company Passed on August 21, 2023

Pursuant to the written resolutions passed by our Shareholders on August 21, 2023:

(a) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and such grant and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange, (2) the Offer Price being fixed on the Price Determination Date, and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein (unless and to the extent such conditions are validly waived on or before such dates and times as specified in the Underwriting Agreements) or otherwise:

(i) the Global Offering was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and our Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;

(ii) the proposed Listing was approved and our Directors were authorized to implement the Listing;

(iii) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue a total of 288,000,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company on the date of the passing of this resolution in proportion to their respective shareholdings (as near as possible without involving fractions so that no fraction of a Share shall be issued and allotted) by way of capitalization of the sum of US$28,800 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares and to make or grant offers, agreements or options which might require the exercise of such powers by the Directors subject to the requirement that the aggregate number of Shares so allotted, issued or dealt with or agreed to be so allotted, issued or dealt with, otherwise than pursuant to, or in consequence of, (i) the Global Offering, (ii) a rights issue, (iii) the exercise of any options which may be granted under the Post-IPO Share Scheme, (iv) any scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (v) a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalization

Issue, excluding any Shares to be issued pursuant to the Post-IPO Share Scheme, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding any Shares to be sold, or issued and allotted pursuant to the Post-IPO Share Scheme;

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above (up to 10% of the aggregate number of the Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding any Shares to be sold, or issued and allotted pursuant to the Post-IPO Share Scheme);

(vii) the authorized share capital of the Company be increased from US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each to US$100,000 divided into 1,000,000,000 Shares of a par value of US$0.0001 each by the creation of an additional 500,000,000 Shares with a par value of US$0.0001 each to rank *pari passu* in all respects with the existing issued Shares; and

(viii) the Memorandum and Articles of Association was approved and adopted with effect upon Listing; and

(b) conditional on (1) the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Post-IPO Share Scheme and (2) the commencement of trading of the Shares on the Main Board of the Stock Exchange, (i) the adoption of the Post-IPO Share Scheme was approved and (ii) the Board was authorized to allot, issue and deal with Shares pursuant to any awards which may be granted pursuant to the Post-IPO Share Scheme.

5. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please see the section headed "History, Reorganization and Corporate Structure – Reorganization" for further details.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on August 21, 2023, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate number of our Company's share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding any Shares to be sold, or issued and allotted pursuant to the Post-IPO Share Scheme, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Act or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iii) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Companies Act, unless, prior to the repurchase our Directors resolve to hold the Shares repurchased by our Company as treasury shares, our Company's repurchased Shares shall be treated as cancelled on repurchase and the amount of our Company's issued share capital shall be diminished by the aggregate nominal value of the repurchased Shares (although the authorized share capital of our Company will not be reduced as a result of the repurchase under the laws of the Cayman Islands).

(iv) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (A) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (B) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "**core connected person**", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the market conditions, funding arrangement and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchase of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, subject to the Cayman Companies Act and if so authorized by the Articles, out of capital and, in the case of any premium payable on the repurchase over the par value of the Shares, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act and if so authorized by the Articles, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 426,667,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, and assuming that no Shares are issued under the Post-IPO Share Scheme, could accordingly result in up to approximately 42,666,700 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) the date when the Repurchase Mandate is renewed, varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company or to our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the equity transfer agreement (股權轉讓協議書) dated December 31, 2021 entered into between Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司) as transferor and Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) as transferee in relation to the transfer of 100% equity interest in Ludong (Jinhua) New Energy Technology Co., Ltd. (綠動(金華)新能源科技有限公司) at a consideration of RMB37,088,611.20;

(b) the equity transfer agreement (股權轉讓協議) dated January 6, 2022 entered into between Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) as transferor and Lin Pingzai (林平仔) as transferee in relation to the transfer of 40% equity interest in Fujian Yizhou Power Technology Co., Ltd. (福建一洲動力科技有限公司) at a consideration of RMB6,000,000;

(c) the equity transfer agreement (股權轉讓協議) dated June 30, 2022 entered into between the liquidation team of Hangzhou Xinyuedong Venture Capital Co., Ltd. (杭州鑫悅動創業投資有限公司清算組) and Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) as transferors, Hangzhou Luda Electric Vehicle Chain Co., Ltd. (杭州綠達電動車連鎖有限公司) and Zhu Liangjun (朱良俊) as transferees, and Hangzhou Guangyang Power Technology Co., Ltd. (杭州光陽動力技術有限公司) as the target company in relation to the transfer of 50% equity interest in Hangzhou Guangyang Power Technology Co., Ltd. (杭州光陽動力技術有限公司) by the liquidation team of Hangzhou Xinyuedong Venture Capital Co., Ltd. (杭州鑫悅動創業投資有限公司清算組) to Hangzhou Luda

Electric Vehicle Chain Co., Ltd. (杭州綠達電動車連鎖有限公司) at a consideration of RMB1,400,000 and the transfer of 30% equity interest in Hangzhou Guangyang Power Technology Co., Ltd. (杭州光陽動力技術有限公司) by Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) to Zhu Liangjun (朱良俊) at a consideration of RMB840,000;

(d) a settlement agreement (執行和解協議) dated March 10, 2023 entered into among Luyuan Electric Vehicle (Shandong) Co., Ltd. (綠源電動車(山東)有限公司) ("**Shandong Luyuan**") and Linyi Luyuan Real Estate Co., Ltd. (臨沂市綠源置業有限公司) ("**Linyi Luyuan**"), pursuant to which Linyi Luyuan agreed to transfer eight shops, five residential premises and 22 car parking spaces that valued at RMB11,000,000 in aggregate to Shandong Luyuan as settlement of the unpaid sum owed by Linyi Luyuan to Shandong Luyuan of RMB11,000,000;

(e) a cornerstone investment agreement (基石投資協議) dated September 14, 2023, entered into among our Company, Jinhua Industrial Fund Co., Ltd. (金華市產業基金有限公司) ("**Jinhua Industrial**") and China Securities (International) Corporate Finance Company Limited, pursuant to which, Jinhua Industrial agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of RMB80,000,000;

(f) Deed of Indemnity;

(g) a cornerstone investment agreement (基石投資協議) dated September 25, 2023, entered into among our Company, Jinhua Jinkai State Owned Capital Investments Co., Ltd. (金華金開國有資本投資有限公司) ("**Jinhua Jinkai**") and China Securities (International) Corporate Finance Company Limited, pursuant to which, Jinhua Jinkai agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of RMB130,000,000;

(h) a cornerstone investment agreement (基石投資協議) dated September 25, 2023, entered into among our Company, Chongqing Dazuhuaiyuan Construction Investment Co., Ltd (重慶市大足區懷遠建設投資有限公司) ("**Chongqing Dazuhuaiyuan**") and China Securities (International) Corporate Finance Company Limited, pursuant to which, Chongqing Dazuhuaiyuan agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of RMB80,010,000;

(i) a cornerstone investment agreement (基石投資協議) dated September 25, 2023, entered into among our Company, Hainan Dongfang Runze Private Equity Fund Management Co., Ltd. (海南東方潤澤私募基金管理有限公司) ("**Hainan Dongfang**") and China Securities (International) Corporate Finance Company Limited, pursuant to which, Hainan Dongfang agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of HK$85,000,000;

(j) a cornerstone investment agreement (基石投資協議) dated September 25, 2023, entered into among our Company, Phylion Battery Co., Ltd. (星恒電源股份有限公司) ("**Phylion Battery**") and China Securities (International) Corporate Finance Company Limited, pursuant to which, Phylion Battery agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of RMB50,000,000; and

(k) the Hong Kong Underwriting Agreement.

2. Our Material Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	绿源 LUYUAN	12	Zhejiang Luyuan	Mainland China	48576383	July 14, 2021	July 13, 2031
2.	绿源	12	Zhejiang Luyuan	Mainland China	34639247	November 28, 2019	November 27, 2029
3.	Luyuan	12	Zhejiang Luyuan	Mainland China	34646311A	November 7, 2019	November 6, 2029
4.	LUYUAN	12	Zhejiang Luyuan	Mainland China	34646320A	November 7, 2019	November 6, 2029
5.	绿源	9	Zhejiang Luyuan	Mainland China	34627820A	November 7, 2019	November 6, 2029
6.		35	Zhejiang Luyuan	Mainland China	25471445	July 21, 2018	July 20, 2028
7.		9	Zhejiang Luyuan	Mainland China	25478732	August 14, 2018	August 13, 2028
8.	绿源	12	Zhejiang Luyuan	Mainland China	24207252	July 7, 2019	July 6, 2029
9.	Luyuan	12	Zhejiang Luyuan	Mainland China	24207735	July 21, 2018	July 20, 2028
10.	绿源	12	Zhejiang Luyuan	Mainland China	24207455	September 14, 2018	September 13, 2028
11.	LUYUAN	12	Zhejiang Luyuan	Mainland China	24207844	September 7, 2018	September 6, 2028
12.	Luyuan	12	Zhejiang Luyuan	Japan	5366830	November 5, 2010	November 5, 2030
13.	绿 源 LUYUAN	12	Zhejiang Luyuan	Switzerland (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
14.	绿 源 LUYUAN	12	Zhejiang Luyuan	Czech Republic (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
15.	绿 源 LUYUAN	12	Zhejiang Luyuan	Germany (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
16.	绿 源 LUYUAN	12	Zhejiang Luyuan	Spain (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
17.	绿 源 LUYUAN	12	Zhejiang Luyuan	France (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
18.	绿 源 LUYUAN	12	Zhejiang Luyuan	Italy (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
19.	绿 源 LUYUAN	12	Zhejiang Luyuan	Portugal (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
20.	绿 源 LUYUAN	12	Zhejiang Luyuan	Slovakia (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
21.	绿 源 LUYUAN	12	Zhejiang Luyuan	United Kingdom (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
22.	绿 源 LUYUAN	12	Zhejiang Luyuan	Turkey (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
23.	绿 源 LUYUAN	12	Zhejiang Luyuan	Australia (designated under the Madrid Protocol)	952691	June 26, 2007	June 26, 2027
24.	LUYUAN	12	Zhejiang Luyuan	Japan	6443166	September 15, 2021	September 15, 2031
25.	LUYUAN	12	Zhejiang Luyuan	European Union	018319250	26 January 2021	October 9, 2030
26.	LUYUAN	12	Zhejiang Luyuan	Republic of Korea	40-1841994	March 8, 2022	March 8, 2032

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
27.	(A) LUYUAN E-VEHICLE (B) LUYUAN E-VEHICLE	12	Luyuan BVI	Hong Kong	302844928	December 20, 2013	December 19, 2033
28.	A LUYUAN E-VEHICLE B LUYUAN E-VEHICLE	12	Luyuan BVI	Hong Kong	302358739	August 28, 2012	August 27, 2032
29.	Mark A LYVA Mark B LYVA	9, 12	Our Company	Hong Kong	305986027	June 16, 2022	June 15, 2032
30.	Mark A 绿源 Mark B 绿源	9, 12	Our Company	Hong Kong	305986036	June 16, 2022	June 15, 2032
31.	Mark A LUYUAN Mark B LUYUAN	9, 12	Our Company	Hong Kong	305986054	June 16, 2022	June 15, 2032
32.	Mark A LUYUAN Mark B LUYUAN	9, 12	Our Company	Hong Kong	305986045	June 16, 2022	June 15, 2032

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
33.	Mark A LUYUAN Mark B LUYUAN Mark C LUYUAN Mark D LUYUAN	9, 12	Our Company	Hong Kong	305986009	June 16, 2022	June 15, 2032
34.	Mark A 绿源 Mark B 绿源 Mark C 绿源 Mark D 绿源	9, 12	Our Company	Hong Kong	305986018	June 16, 2022	June 15, 2032
35.	Luyuan	9	Luyuan HK	Thailand	171109799	June 12, 2015	June 11, 2025
36.	Luyuan	12	Luyuan HK	Thailand	171108139	June 12, 2015	June 11, 2025
37.	Luyuan	35	Luyuan HK	Thailand	161102343	June 12, 2015	June 11, 2025
38.	Luyuan	37	Luyuan HK	Thailand	171108598	June 12, 2015	June 11, 2025
39.	Luyuan	35, 37	Luyuan HK	Vietnam	323490	June 3, 2015	June 3, 2025
40.	Luyuan	9, 12, 35, 37	Luyuan HK	Indonesia	IDM000573745	June 8, 2015	June 8, 2025
41.	Luyuan	9, 12, 35, 37	Luyuan HK	India	2977244	June 3, 2015	June 3, 2025

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which are material in relation to our business:

No.	Patent name	Patent Type	Registered owner	Place of registration	Registration number	Registration date
1.	A battery repair system with electric energy recovery, and its method (一種帶電能回收的蓄電池修復系統及其方法)	Invention	Zhejiang Luyuan	Mainland China	2008100615918	May 12, 2008
2.	Light controlled smart charger (光控智能充電器)	Invention	Zhejiang Luyuan	Mainland China	2008101202221	August 12, 2008
3.	Battery capacity detection method for electric vehicle matrix battery pack (電動汽車矩陣電池組的電池容量檢測方法)	Invention	Zhejiang Luyuan	Mainland China	2009100971194	March 18, 2009
4.	An energy-saving electric vehicle for fitness (一種健身節能電動車)	Invention	Zhejiang Luyuan	Mainland China	2009101007100	July 14, 2009
5.	Electric motor device (電機裝置)	Invention	Zhejiang Luyuan	Mainland China	2010102691951	September 1, 2010
6.	Electric vehicle, server and electric vehicle management system (電動車、服務器和電動車管理系統)	Invention	Zhejiang Luyuan	Mainland China	201210017079X	January 19, 2012
7.	Battery repairing circuit, battery repairing device and battery repairing method (蓄電池修復電路、蓄電池修復裝置和蓄電池修復方法)	Invention	Zhejiang Luyuan	Mainland China	2012102949873	August 17, 2012
8.	Battery protection device, server and battery management system (電池保護裝置、服務器和電池管理系統)	Invention	Zhejiang Luyuan	Mainland China	2013100203092	January 18, 2013
9.	Battery charging device and battery charging method (電池充電裝置和電池充電方法)	Invention	Zhejiang Luyuan	Mainland China	2013100309665	January 24, 2013
10.	Electric vehicle control system, method and electric bicycle (電動車控制系統、方法和電動自行車)	Invention	Zhejiang Luyuan	Mainland China	2013101304103	April 12, 2013
11.	Automatic speed control system, method and electric vehicle (速度自動控制系統、方法和電動車)	Invention	Zhejiang Luyuan	Mainland China	2013102439150	June 18, 2013

No.	Patent name	Patent Type	Registered owner	Place of registration	Registration number	Registration date
12.	Electricity discharge control device, battery system and electric vehicle (放電控制裝置、電池系統和電動車)	Invention	Zhejiang Luyuan	Mainland China	2013107111299	December 20, 2013
13.	Vehicle data collection device, vehicle data collection method and vehicle (車輛數據採集裝置、車輛數據採集方法和車輛)	Invention	Zhejiang Luyuan	Mainland China	2014102205152	May 22, 2014
14.	Electric vehicle and electric vehicle control method (電動車及電動車控制方法)	Invention	Zhejiang Luyuan	Mainland China	2015107355964	November 2, 2015
15.	Charging method, charging device and power supply equipment (充電方法、充電裝置和電源設備)	Invention	Zhejiang Luyuan	Mainland China	2015107386407	November 4, 2015
16.	Electric vehicle dashboard device, safety monitoring method and system, electric vehicle (電動車儀表裝置、安全監控方法及系統、電動車)	Invention	Zhejiang Luyuan	Mainland China	2015107411428	November 4, 2015
17.	External rotor motor and electric vehicle (外轉子電機及電動車)	Invention	Zhejiang Luyuan	Mainland China	2016104421136	June 17, 2016
18.	Ring-shaped rotor, electric vehicle motor and electric vehicle (圓環狀轉子、電動車電機及電動車)	Invention	Zhejiang Luyuan	Mainland China	2016104728981	June 24, 2016
19.	Charging lock structure, electric bicycle, lock box and charging pile (充電鎖車結構、電動自行車、鎖箱和充電樁)	Invention	Zhejiang Luyuan	Mainland China	2016108376055	September 21, 2016
20.	Charging pile and electric vehicle (充電樁和電動車)	Invention	Zhejiang Luyuan	Mainland China	2016108410906	September 22, 2016
21.	Connecting structure, connecting wire assembly and battery pack (連接結構、連接線組件和蓄電池組)	Invention	Zhejiang Luyuan	Mainland China	2016112254559	December 27, 2016
22.	Moisture-proof box component and electric vehicle (防潮盒組件和電動車輛)	Invention	Zhejiang Luyuan	Mainland China	2017100150036	January 10, 2017
23.	Electric motor and electric vehicle (電機及電動車)	Invention	Zhejiang Luyuan	Mainland China	2017101651179	March 20, 2017

No.	Patent name	Patent Type	Registered owner	Place of registration	Registration number	Registration date
24.	Inflatable system and its control method (充氣系統及其控制方法)	Invention	Zhejiang Luyuan	Mainland China	2017103779887	May 25, 2017
25.	Battery capacity detection method, vehicle state evaluation method, battery pack and electric vehicle (電池容量檢測方法、車輛狀態判斷方法、電池組及電動車)	Invention	Zhejiang Luyuan	Mainland China	2017105258564	June 30, 2017
26.	Training wheel support device and vehicle (輔助輪支撐裝置及車輛)	Invention	Zhejiang Luyuan	Mainland China	2017108043649	September 8, 2017
27.	Oil-cooled motor (油冷電機)	Invention	Zhejiang Luyuan	Mainland China	2018108024835	July 20, 2018
28.	Electric vehicle charging pile, control method for electric vehicle charging pile (電動車充電樁、電動車充電樁的控制方法)	Invention	Zhejiang Luyuan	Mainland China	2018109401829	August 17, 2018
29.	Oil-cooled motor (油冷電機)	Invention	Zhejiang Luyuan	Mainland China	2019101998925	March 15, 2019
30.	A battery power measurement method for lead-acid batteries (一種鉛酸電池電量測量方法)	Invention	Zhejiang Luyuan	Mainland China	2019102056042	March 19, 2019
31.	Graphene lead-carbon battery negative electrode plaster board and its preparation method (石墨烯鉛炭電池負極鉛膏板及其製備方法)	Invention	Zhejiang Luyuan	Mainland China	2019112943273	December 16, 2019
32.	Graphene lead-carbon battery positive plate lead paste and method for battery preparation using the lead paste (石墨烯鉛炭電池正極板鉛膏及採用該鉛膏製備電池的方法)	Invention	Zhejiang Luyuan	Mainland China	2019112942745	December 16, 2019
33.	A method of assisting the control of electric bicycle form, speed and torque (一種助力電動自行車姿態速度力矩控制方法)	Invention	Zhejiang Luyuan	Mainland China	2021105704415	May 25, 2021

No.	Patent name	Patent Type	Registered owner	Place of registration	Registration number	Registration date
34.	A type of modified AGM diaphragm for lead-carbon battery and its preparation method (一種鉛炭電池用的改性AGM隔膜及其製備方法)	Invention	Zhejiang Luyuan	Mainland China	2019112956038	January 10, 2023
35.	Electric support frame and electric bicycle (電動支撐架及電動自行車)	Invention	Zhejiang Luyuan	Mainland China	2017102541640	May 5, 2023
36.	Electric support frame and electric bicycle (電動支撐架及電動自行車)	Invention	Zhejiang Luyuan	Mainland China	201710253740X	May 16, 2023
37.	A method for series-parallel conversion of battery packs (一種蓄電池組串並聯轉換的方法)	Invention	Shandong Luyuan	Mainland China	2009100973715	October 17, 2012
38.	Charge and discharge protection device and battery device (充放電保護裝置和電池裝置)	Invention	Shandong Luyuan	Mainland China	2010102609849	April 10, 2013
39.	Hybrid battery device (混合電池裝置)	Invention	Shandong Luyuan	Mainland China	2010105550457	April 16, 2014
40.	Method and device for adjusting motor speed of electric vehicles (電動車的電機轉速的調節方法和裝置)	Invention	Shandong Luyuan	Mainland China	2014103253967	July 6, 2016
41.	Motor (電機)	Invention	Shandong Luyuan	Mainland China	2015103290725	March 6, 2018
42.	Electric bicycle (電動自行車)	Invention	Shandong Luyuan	Mainland China	2016110460867	June 18, 2019
43.	A type of shock-absorbing motor for electric vehicles (一種電動車用減震電機)	Invention	Guangxi Luyuan	Mainland China	2020110748353	May 27, 2022

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material in relation to our business:

No.	Copyright	Owner	Registration number	Registration date	Place of registration
1.	Luyuan shield shaped logo (綠源盾型圖)	Zhejiang Luyuan	國作登字-2020-F-01039424	June 17, 2020	Mainland China

No.	Copyright	Owner	Registration number	Registration date	Place of registration
2.	Luyuan safe, reliable, trouble-free shield shaped logo (綠源安心可靠麻煩少盾型圖)	Zhejiang Luyuan	國作登字-2019-F-00836391	September 19, 2019	Mainland China
3.	Luyuan (綠源)	Zhejiang Luyuan	國作登字-2016-F-00257813	March 3, 2016	Mainland China
4.	Design drawing of the publicity banner series for Luyuan Liquid-cooled Electric Vehicles (《綠源液冷電動車宣傳標語系列設計圖》)	Zhejiang Luyuan	國作登字-2022-F-10270770	December 21, 2022	Mainland China

(d) Software Copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which are material in relation to our business:

No.	Software Copyright	Owner	Registration number	Registration date	Place of registration
1.	Luyuan smart green Express software V1.0 (綠源智能綠動Express軟件V1.0)	Zhejiang Luyuan	2021SR2022150	December 8, 2021	Mainland China
2.	Luyuan smart APP (Android version) software V1.0 (綠源智能APP(Android版)軟件 V1.0)	Zhejiang Luyuan	2019SR0726853	July 15, 2019	Mainland China
3.	Luyuan Lvdongwang Group User Management Platform Software V1.0 (綠源綠動網集團用戶管理平台軟件 V1.0)	Zhejiang Luyuan	2016SR088670	April 27, 2016	Mainland China

No.	Software Copyright	Owner	Registration number	Registration date	Place of registration
4.	Luyuan Lvlingzhijia Electric Vehicle Integrated Service Management Platform Software V1.0 (綠源綠領之家電動車綜合服務管理軟件 V1.0)	Zhejiang Luyuan	2016SR044772	March 4, 2016	Mainland China
5.	Luyuan Group Market Sales Information Management System Client End Software V1.0 (綠源集團市場銷售信息管理系統客戶端軟件 V1.0)	Zhejiang Luyuan	2015SR023592	February 4, 2015	Mainland China
6.	Luyuan Dynamic Vehicle Networking Application Software V1.0 (綠源動態車聯網應用軟件 V1.0)	Zhejiang Luyuan	2014SR085166	June 25, 2014	Mainland China
7.	Luyuan High Power Charger Control Software V1.0 (綠源大功率充電器控制軟件 V1.0)	Zhejiang Luyuan	2012SR013929	February 28, 2012	Mainland China
8.	Luyuan Product Distribution Management System Software V1.0 (綠源產品分銷管理系統軟件 V1.0)	Zhejiang Luyuan	2012SR002228	January 12, 2012	Mainland China
9.	Luyuan Service – Business Version Software (綠源服務 – 商務版軟件)	Zhejiang Luyuan	2022SR0987378	August 2, 2022	Mainland China

(e) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material in relation to our business:

No.	Domain name	Registered owner	Expiry date
1.	luyuan.cn	Zhejiang Luyuan	March 17, 2030

Save as disclosed above, as at the Latest Practicable Date, there were no other trademarks or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors and the Chief Executive of Our Company

Immediately following the completion of the Global Offering and the Capitalization Issue, and without taking into account any Shares which may be issued under the Post-IPO Share Scheme, the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

Name of Director	Nature of interest	Number of Shares held or interested[8]	Approximate percentage of shareholding in the total issued share capital[1]
Mr. Ni[2,4,5]	Interest in controlled corporation Interest of spouse	277,664,000 (L)	65.08%
Ms. Hu[3,4,5]	Interest in controlled corporation Interest of spouse	277,664,000 (L)	65.08%
Mr. David R. Dingman[6]	Interest in controlled corporation	25,600,000 (L)	6.00%
Mr. Chen Guosheng[7]	Beneficial interest	1,726,600 (L)	0.40%

Notes:

1. The calculation is based on the total number of 426,667,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued under the Post-IPO Share Scheme).

2. Drago Investments is wholly-owned by Mr. Ni. By virtue of the SFO, Mr. Ni is deemed to be interested in the Shares held by Drago Investments upon the Listing.

3. Apex Marine is wholly-owned by Ms. Hu. By virtue of the SFO, Ms. Hu is deemed to be interested in the Shares held by Apex Marine upon the Listing.

4. Best Expand, which will hold 15,264,000 Shares immediately following the completion of the Global Offering and the Capitalization Issue, is owned as to 50% by Mr. Ni and 50% by Ms. Hu. By virtue of the SFO, each of Mr. Ni and Ms. Hu is deemed to be interested in the Shares held by Best Expand upon the Listing.

5. Mr. Ni and Ms. Hu are spouses. By virtue of the SFO, each of them is deemed to be interested in the Shares in which the other is deemed to be interested upon the Listing.

6. Shipston, a Pre-IPO Investor, is an investment vehicle ultimately wholly-owned by Mr. David R. Dingman. Accordingly, Mr. David R. Dingman is deemed to be interested in the total number of Shares held by Shipston.

7. Mr. Chen Guosheng was granted an option to subscribe for 1,726,600 Shares under the Pre-IPO Share Scheme.

8. The letter "L" denotes a person's long position in such Shares.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, immediately following the completion of the Global Offering and the Capitalization Issue, and without taking into account any Shares which may be issued under the Post-IPO Share Scheme, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on September 24, 2023, and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from September 24, 2023. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023 was approximately RMB1.4 million, RMB1.4 million, RMB3.6 million and RMB1.3 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, by any of member of our Group to any of our Directors.

Under the arrangements currently in force as of the date of this prospectus, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending December 31, 2023 to be approximately RMB4.0 million.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in the section headed "– E. Other Information – 6. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor any of the persons listed in the section headed "– E. Other Information – 6. Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with Underwriting Agreements, none of the persons listed in the section headed "– E. Other Information – 6. Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Scheme

The following is a summary of the principal terms of the Pre-IPO Share Scheme approved and adopted pursuant to the written resolutions passed by the Board on July 20, 2023 (the "**Pre-IPO Scheme Adoption Date**") and the details regarding the outstanding options granted under the Pre-IPO Share Scheme.

We have applied to the Stock Exchange and SFC, respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions)

Ordinance. See "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in Relation to the Pre-IPO Share Scheme".

Since the Pre-IPO Share Scheme does not involve options or share awards to be granted by our Company after Listing, the provisions of Chapter 17 of the Listing Rules do not apply to the terms of the Pre-IPO Share Scheme. No further awards under the Pre-IPO Share Scheme will be granted after Listing.

(a) Purpose

The purpose of the Pre-IPO Share Scheme is:

(i) to provide the Company with a flexible means of attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to Pre-IPO Eligible Participants (as defined below);

(ii) to align the interests of Pre-IPO Eligible Participants (as defined below) with those of the Company and Shareholders by providing such Pre-IPO Eligible Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and become Shareholders; and

(iii) to encourage Pre-IPO Eligible Participants (as defined below) to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

(b) Eligible Participants

Any person of any one of the following categories and as determined by the Board or the scheme administrator from time to time shall be eligible to participate in the Pre-IPO Share Scheme:

(i) an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the grant date;

(ii) an employee (whether full-time or part-time or other employment relationship), director or officer of: (i) a holding company of the Company; (ii) subsidiaries of such holding company other than members of the Group; or (iii) any company that is an associate of the Company; or

(iii) any person(s) providing services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the scheme administrator (collectively the "**Pre-IPO Eligible Participants**").

(c) Pre-IPO Scheme Mandate Limit

The initial total number of new Shares which may be issued pursuant to all awards to be granted under the Pre-IPO Share Scheme (the "**Pre-IPO Awards**", and the term "**Pre-IPO Award**" shall be construed accordingly) is 1,673,600 Shares (the "**Pre-IPO Scheme Mandate Limit**"). The Pre-IPO Scheme Mandate Limit was adjusted to 16,736,000 Shares pursuant to the terms of the Pre-IPO Share Scheme upon the completion of the Capitalization Issue.

(d) Administration

The Board shall be responsible for administering the Pre-IPO Share Scheme in accordance with the rules of the Pre-IPO Share Scheme.

The authority to administer the Pre-IPO Share Scheme may be delegated by the Board to a committee of the Board or to any other person(s) deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Pre-IPO Awards and to determine the terms and conditions of such Pre-IPO Awards, provided that nothing in this section shall prejudice the Board's power to revoke such delegation at any time or derogate from the discretion rested with the Board.

The scheme administrator may from time to time appoint one or more administrators, who may be independent third-party contractors, to assist in the administration of the Pre-IPO Share Scheme, to whom they, at their sole discretion, may delegate such functions relating to the administration of the Pre-IPO Share Scheme as they may think fit. The duration of office, terms of reference and remuneration (if any) of such administrator(s) shall be determined by the scheme administrator at their sole discretion from time to time.

(e) Implementation by Trust

The Company may establish one or more trusts and appoint one or more trustees to hold Shares for the purposes of: (i) holding Shares underlying Pre-IPO Awards (which may be Shares newly allotted and issued by the Company or existing Shares purchased or acquired on-market or off-market by the trustee(s) under the trust or existing Shares transferred by any Shareholder(s) to the trustee(s) under the trust for the purpose of implementation of the Pre-IPO Share Scheme at nil consideration or otherwise) and reserved for specified Pre-IPO Eligible Participants; (ii) settling Pre-IPO Awards under section (o) below; and (iii) taking other actions for the purposes of administering and implementing the Pre-IPO Share Scheme. The trustee(s) of the trust shall be instructed by the Company, and unless otherwise agreed between the Company and the trustee(s), the scheme administrator shall act on behalf of the Company to give instructions to and direct the trustee(s).

The trustee(s) holding unvested Shares under the trust shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

On July 20, 2023, Best Expand transferred 1,673,600 Shares to Yuan V Holdings Limited (a trust company wholly-owned by a trust in which our Company is the settlor, Futu Trustee Limited acts as trustee and the beneficiaries are grantees of the Pre-IPO Share Scheme) at nil consideration for the purpose of settling options when exercised under the Pre-IPO Share Scheme.

(f) Voting and Dividend Rights

Pre-IPO Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights. No grantee shall have any right to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Pre-IPO Awards. No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Pre-IPO Award unless and until the Shares underlying a Pre-IPO Award are delivered to the grantee pursuant to the vesting and exercise of such Pre-IPO Award.

(g) Transferability of Pre-IPO Awards

Pre-IPO Awards shall be personal to the grantee to whom they are made and shall not be assignable or transferable, except in circumstances where the written consent of the Company has been obtained and all requirements, consents and approvals under applicable laws and regulations have been duly complied with and provided that any such transferee shall be bound by the rules of the Pre-IPO Share Scheme and all applicable Pre-IPO award letters as if the transferee were the grantee.

(h) Scheme Life and Termination

(i) Subject to (ii) below, the Pre-IPO Share Scheme shall be valid and effective for the period of 10 years commencing on the Pre-IPO Scheme Adoption Date and ending on the 10th anniversary of the Pre-IPO Scheme Adoption Date (the "**Pre-IPO Scheme Period**").

(ii) The Pre-IPO Share Scheme shall terminate on the earlier of:

(a) the expiry of the Pre-IPO Scheme Period; and

(b) such date of early termination as determined by the Board,

provided that notwithstanding such termination, the Pre-IPO Share Scheme and the rules therein shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Pre-IPO Awards granted prior to the termination of the Pre-IPO Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee hereunder.

(i) Outstanding Grants

As at the Latest Practicable Date, a total of 108 Pre-IPO Eligible Participants have been granted options under the Pre-IPO Share Scheme which corresponded to 16,736,000 underlying Shares in aggregate, representing 3.92% of the total issued Shares immediately after the completion of the Global Offering and the Capitalization Issue (assuming no Shares are issued pursuant to the Post-IPO Share Scheme). All the options under the Pre-IPO Share Scheme were granted on July 20, 2023 and no share awards have been granted under the Pre-IPO Share Scheme. The Company will not grant further options and share awards under the Pre-IPO Share Scheme after the Listing. No consideration was payable for the grants of options under the Pre-IPO Share Scheme.

Below are the details of outstanding options granted to our Directors, senior management and connected persons of our Company:

Grantee	Position or Connected Relationship	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue[Note 1]	Vesting Schedule
			(HK$)					
Chen Guosheng (陳郭勝)	Executive Director	Flat 202, Unit 3, Building C05, Dongfang Mingzhu, Duohu Street, Jindong District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	1,726,600	0.40%	*See Note 2*
Chen Wensheng (陳文勝)	Vice president of the Company	Room 302, Unit 2, Building 5, No. 199 Danxi Road, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	1,402,800	0.33%	*See Note 2*
Ding Xiao (丁霄)	Vice president of the Company	Room 902, Building 6, Junlan Jiangshan Community, Duohu Street, Jindong District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	1,236,800	0.29%	*See Note 2*
Dai Yanqing (戴燕青)	Manager of Guangxi Luyuan, our subsidiary	Room 501, Unit 2, Building 8, Osmanthus City, Wuzhou Street, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	670,600	0.16%	*See Note 2*

Grantee	Position or Connected Relationship	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue[Note 1]	Vesting Schedule
			(HK$)					
Su Bo (蘇波)	Director of Guangxi Luyuan, our subsidiary; director of Shandong Luyuan, our subsidiary; cousin of Ms. Hu, an executive Director	Room 12B01, Unit 1, Building 6, No. 1600 Yiwu Street, Sanjiang Way, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	544,600	0.13%	*See Note 2*
Yu Chenbo (虞晨波)	Former director of LYVA COMPANY LIMITED, which ceased to be our subsidiary in the last 12 months	Room 701, Building 7, Tianbo Garden, No. 36 Hexin Road, Sanjiang Way, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	211,500	0.05%	*See Note 2*
Han Liang (韓亮)	Cousin of Ms. Hu, an executive Director	Room 1802, Unit 1, Building 1, No. 8, Anpingli, Shuangxi West Road, Jiangnan Street, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	123,800	0.03%	*See Note 2*
Su Fei (蘇飛)	Cousin of Ms. Hu, an executive Director	No. 168 Shicheng Street, Qiubin Industrial Park, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	134,000	0.03%	*See Note 2*
Fang Ya (方亞)	Cousin of Su Bo (蘇波) above	Room 602, Unit B, Building 8, Jinyin Garden, Qingshuihao Road, Daguan District, Anqing City, Anhui Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	125,400	0.03%	*See Note 2*
Chen Jianpu (陳建譜)	Director of Shandong Luyuan, our subsidiary	Room 302, Unit 2, Building 6, Xianghu Xinjiyuan, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	105,000	0.02%	*See Note 2*

Grantee	Position or Connected Relationship	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue[Note 1]	Vesting Schedule
			(HK$)					
Zhao Juan (趙娟)	Spouse of Su Bo (蘇波) above	Room 12B01, Unit 1, Building 6, No. 1600 Yiwu Street, Sanjiang Way, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	89,100	0.02%	*See Note 2*
Ye Yigui (葉依貴)	Spouse of Dai Yanqing (戴燕青) above	Room 501, Unit 2, Building 8, Osmanthus City, Wuzhou Street, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	117,100	0.03%	*See Note 2*
Luo Guozhen (羅國珍)	Spouse of Yu Chenbo (虞晨波) above	Room 701, Building 7, Tianbo Garden, No. 36 Hexin Road, Sanjiang Way, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	87,500	0.02%	*See Note 2*
Li Lei (李雷)	Spouse of Chen Jianpu (陳建譜) above	Room 302, Unit 2, Building 6, Xianghu Xinjiyuan, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	75,200	0.02%	*See Note 2*
Total						6,650,000	1.56%	

Notes:

1. The calculation is based on 426,667,000 Shares in issue immediately after the Global Offering and the Capitalization Issue, assuming no Shares are issued pursuant to the Post-IPO Share Scheme.

2. The share options granted under the Pre-IPO Share Scheme are to vest in accordance with the following vesting schedule: (a) 10% of the share options are to vest on the first anniversary of the Pre-IPO Scheme Adoption Date; (b) 20% of the share options are to vest on the second anniversary of the Pre-IPO Scheme Adoption Date; (c) 30% of the share options are to vest on the third anniversary of the Pre-IPO Scheme Adoption Date; and (d) 40% of the share options are to vest on the fourth anniversary of the Pre-IPO Scheme Adoption Date.

As at the Latest Practicable Date, other than the 14 members of our Directors, senior management and connected persons disclosed above, no options or share awards were granted to any Directors, senior management or connected persons of the Company under the Pre-IPO Share Scheme.

Save as the 14 grantees disclosed above, the remaining 94 grantees who are not members of our Directors, senior management or connected persons of our Company have been granted options under the Pre-IPO Share Scheme which corresponded to 10,086,000 underlying Shares in aggregate, representing 2.36% of the total issued Shares immediately after the completion of the Global Offering and the Capitalization Issue (assuming no Shares are issued pursuant to the Post-IPO Share Scheme).

Below are the details of outstanding options granted to our employees (other than the Directors, senior management and connected persons of our Company) who have been granted options to subscribe for 120,400 Shares or more:

Grantee	Position	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue[Note 1]	Vesting Schedule
			(HK$)					
Tang Yongchao (唐勇超)	Senior director of research and development	7-2203, No. 88 Pujiang Street, Xiguan Road, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	476,500	0.11%	*See Note 2*
Wei Quan (魏權)	General manager of manufacturing	Room 201, Unit 2, Building 16, Dangdai Jiangnan Community, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	359,200	0.08%	*See Note 2*
Zeng Shenghong (曾勝紅)	General manager of marketing	Room 1801, Building 129, Baojilan County, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	262,100	0.06%	*See Note 2*

Grantee	Position	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue [Note 1]	Vesting Schedule
			(HK$)					
Chen Yun (陳耘)	Director of marketing	17-1-701, Binhu Impression Garden, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	220,000	0.05%	*See Note 2*
Chen Lingyan (陳靈燕)	Director of marketing	Room 702, Building 70, Baoji Lake Haitang Manor, Lanxi Street, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	208,900	0.05%	*See Note 2*
Yang Zhengyi (楊正意)	Chief product development engineer	No. 1804, Zijin Yulan Building 18, No. 581 Zijin South Street, Bailongqiao Town, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	201,400	0.05%	*See Note 2*
Zhang Long (張龍)	Chief engineer of crafting	Building 15, Qingcheng Yaju, No. 118 Anwen Road, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	201,000	0.05%	*See Note 2*
Yao Guozhu (姚國柱)	Director of research and development	19-101, Shenlan Yishu, No. 227 Fangqian Road, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	201,000	0.05%	*See Note 2*
Chen Xiaohe (陳小河)	Department head of manufacturing	Zicheng Garden, No. 67 Jinyi Road, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	193,700	0.05%	*See Note 2*

Grantee	Position	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue [Note 1]	Vesting Schedule
			(HK$)					
Ding Yuelong (丁躍龍)	Director of marketing	Building 12, Baoji Lake Haitang Manor, No. 939 Heyue Road, Sumeng Township, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	181,000	0.04%	*See Note 2*
Lv Hongbo (呂宏波)	Deputy director of marketing	Room 601, Unit 4, Building 1, Dongfang Lanting, Jindong District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	176,100	0.04%	*See Note 2*
Fan Xiaohua (范曉華)	Director of marketing	Room 1-12B02, Building 12, Xinjiyuan Xianghu Garden, No. 678 Heyue Road, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	169,400	0.04%	*See Note 2*
Xu Haifeng (徐海峰)	Deputy director of marketing	6-3-201 Binjiang Golden Lanting, No. 677 Longchuan Road, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	168,500	0.04%	*See Note 2*
Zhang Feng (張峰)	Director of marketing	No. 168 Shicheng Street, Qiubin Way, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	166,900	0.04%	*See Note 2*
Zhou Jinhong (周進宏)	Chief structural engineer	Room 1403, Building 42, Dade Shijia Community, No. 388 Jinpu Road, Zhoushi Town, Kunshan City, Suzhou, Jiangsu Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	159,600	0.04%	*See Note 2*

Grantee	Position	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue *Note 1*	Vesting Schedule
			(HK$)					
Zhang Fangyong (張芳勇)	Chief research and development engineer	Room 1702, Unit 1, Building 2, Taidi Jinshuiwan, No. 1555 Dongyang Street, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	158,300	0.04%	*See Note 2*
Wu Qihuang (吳啟皇)	Chief electrical engineer	Building 39, Lanwan International Garden, Hualong South Street, Wucheng New District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	152,600	0.04%	*See Note 2*
Shen Yongqing (沈勇清)	Deputy director of marketing	Room 202, Unit 1, Building 16, Jiangbin Community, Wucheng District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	151,200	0.04%	*See Note 2*
Wang Qinglei (王慶雷)	Deputy director of marketing	Room 502, No. 12 Nanliu Street, Yinzhou District, Ningbo City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	144,400	0.03%	*See Note 2*
Zhu Qiang (朱強)	Director of marketing	Room 402, Building 35, Phase II, Chunnuanhuakai Baizhuang, Jinan District, Liuan City, Anhui Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	139,400	0.03%	*See Note 2*
Chen Long (陳龍)	Director of marketing	168 Shicheng Street, Qiubin Industrial Park, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	138,500	0.03%	*See Note 2*

Grantee	Position	Address	Exercise Price	Date of grant	Exercise Period	Number of Outstanding Shares Underlying the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue Note 1	Vesting Schedule
			(HK$)					
Fan Yuqin (范玉琴)	Acting director of research and development	No. 28 Sizhongting Street, Siqian Village, Tangya Town, Jindong District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	135,800	0.03%	*See Note 2*
Xue Jiancun (薛劍存)	Director of research and development	No. 34, Building 2, District B, Huangnilong New Village, Chisong Town, Jindong District, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	133,200	0.03%	*See Note 2*
Qi Qin (齊琴)	Deputy general manager of manufacturing	Room 101, Unit 1, Building 5, Guangming Lake City Garden, Bayi South Street, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	123,100	0.03%	*See Note 2*
Cai Ting (蔡婷)	Head of supporting department	Room 702, Unit 2, Building 6, Wanke Zhenhe Courtyard, Qiubin Street, Jinhua City, Zhejiang Province, China	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	120,400	0.03%	*See Note 2*
Total						4,742,200	1.11%	

Notes:

1. The calculation is based on 426,667,000 Shares in issue immediately after the Global Offering and the Capitalization Issue, assuming no Shares are issued pursuant to the Post-IPO Share Scheme.

2. The share options granted under the Pre-IPO Share Scheme are to vest in accordance with the following vesting schedule: (a) 10% of the share options are to vest on the first anniversary of the Pre-IPO Scheme Adoption Date; (b) 20% of the share options are to vest on the second anniversary of the Pre-IPO Scheme Adoption Date; (c) 30% of the share options are to vest on the third anniversary of the Pre-IPO Scheme Adoption Date; and (d) 40% of the share options are to vest on the fourth anniversary of the Pre-IPO Scheme Adoption Date.

Below are the details of outstanding options granted to the remaining 69 grantees under the Pre-IPO Share Scheme other than (i) the Directors, senior management or connected persons of our Company; and (ii) other grantees who have been granted options to subscribe for 120,400 Shares or more:

Range of Outstanding Shares under Options Granted	Total Number of Grantees	Total Number of Outstanding Shares under Options Granted	Exercise Price	Date of Grant	Exercise Period	Approximate Percentage of Issued Share Capital of Our Company Immediately after Completion of the Global Offering and the Capitalization Issue[Note 1]	Vesting Schedule
			(HK$)				
1 to 100,000 Shares	58	4,157,200	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	0.97%	*See Note 2*
100,001 to 120,399 Shares	11	1,186,600	0	July 20, 2023	From the date that is six months after the Listing Date to July 19, 2033	0.28%	*See Note 2*
Total	69	5,343,800				1.25%	

Notes:

1. The calculation is based on 426,667,000 Shares in issue immediately after the Global Offering and the Capitalization Issue, assuming no Shares are issued pursuant to the Post-IPO Share Scheme.

2. The share options granted under the Pre-IPO Share Scheme are to vest in accordance with the following vesting schedule: (a) 10% of the share options are to vest on the first anniversary of the Pre-IPO Scheme Adoption Date; (b) 20% of the share options are to vest on the second anniversary of the Pre-IPO Scheme Adoption Date; (c) 30% of the share options are to vest on the third anniversary of the Pre-IPO Scheme Adoption Date; and (d) 40% of the share options are to vest on the fourth anniversary of the Pre-IPO Scheme Adoption Date.

All Pre-IPO Awards will be settled by means of arranging for the relevant Shares underlying the Pre-IPO Awards to be transferred to the relevant grantees, and no new Shares will be issued by the Company for such purpose. As such, upon the vesting of the Pre-IPO Awards, there will not be any dilution effect to the issued Shares, nor will there be any dilution effect to the earnings per share of the Company for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively.

2. Post-IPO Share Scheme

The following is a summary of the principal terms of the Post-IPO Share Scheme conditionally adopted pursuant to the written resolutions passed by our Shareholders on August 21, 2023 and its implementation is conditional on the commencement of dealings in the Shares on the Stock Exchange.

(a) Purpose

The purpose of the Post-IPO Share Scheme is:

(i) to provide the Company with a flexible means of attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to Post-IPO Eligible Participants (as defined below);

(ii) to align the interests of Post-IPO Eligible Participants (as defined below) with those of the Company and Shareholders by providing such Post-IPO Eligible Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and become Shareholders; and

(iii) to encourage Post-IPO Eligible Participants (as defined below) to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

(b) Eligible Participants

Any person of any one of the following categories and as determined by the Board or the scheme administrator from time to time shall be eligible to participate in the Post-IPO Share Scheme:

(i) an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the grant date ("**Post-IPO Employee Participant**", and the term "**Post-IPO Employee Participants**" shall be construed accordingly);

(ii) an employee (whether full-time or part-time or other employment relationship), director or officer of: (i) a holding company of the Company; (ii) subsidiaries of such holding company other than members of the Group; or (iii) any company that is an associate of the Company ("**Post-IPO Related Entity Participant**"); or

(iii) any person(s) providing services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the scheme administrator pursuant to the criteria set out below, subject to compliance with any applicable laws, rules and regulations ("**Post-IPO Service Provider Participant**", and the term "**Post-IPO Service Provider Participants**" shall be construed accordingly) (the term "**Post-IPO Eligible Participant**" shall mean a Post-IPO Employee Participant, Post-IPO Related Entity Participant or Post-IPO Service Provider Participant, and the term "**Post-IPO Eligible Participants**" shall be construed accordingly).

Post-IPO Service Provider Participants shall include the following categories of service provider:

Category	Eligibility Criteria for Post-IPO Service Provider Participant
Distributors, contractors and suppliers	Is, or is anticipated to be going forward, a significant business partner, or otherwise significant to the Group's business, with reference to, among others: (a) the scale of its historical business dealings with the Group in terms of purchases or sales attributable to it; (b) the length of business relationships between the Post-IPO Service Provider Participant and the Group; (c) the quality of the goods and/or services provided by the Post-IPO Service Provider Participant; (d) whether the Post-IPO Service Provider Participant has a proven track record of delivering quality goods and/or services; (e) the positive impacts or strategic benefits brought by, or expected from, the Post-IPO Service Provider Participant to the Group's business growth and development in light of the Group's business plan from time to time.
Advisers and consultants	Is, or is anticipated to be going forward, a significant adviser or consultant, or otherwise significant to the Group's business, with reference to, among others: (a) the expertise, professional qualifications and industry experience of the Post-IPO Service Provider Participant; (b) the length of business relationships or engagement of the Post-IPO Service Provider Participant by the Group; (c) the positive impacts or strategic benefits brought by, or expected from, the Post-IPO Service Provider Participant to the Group's business growth and development in light of the Group's business plan from time to time.

Category	Eligibility Criteria for Post-IPO Service Provider Participant
Agents, business partners, joint venture partners and promoters	Is, or is anticipated to be going forward, a significant agent, business partner, joint venture partner and promoter, or otherwise significant to the Group's business, with reference to, among others: (a) the positive impacts, benefits and strategic value brought by or expected from the Post-IPO Service Provider Participant to the Group's growth development in light of the Group's business plan from time to time; (b) the scale of the Post-IPO Service Provider Participant's collaboration with the Group and the length of business relationships between the Participant and the Group; (c) the business opportunities and external connections that the Post-IPO Service Provider Participant has introduced or will potentially introduce to the Group.

provided that (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity may not be Post-IPO Service Provider Participants for the purposes of the Post-IPO Share Scheme.

(c) Conditions

The Post-IPO Share Scheme shall become effective upon fulfilment of the following conditions:

(i) the passing of a resolution by the Shareholders to approve the adoption of the Post-IPO Share Scheme;

(ii) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to awards to be granted under the Post-IPO Share Scheme ("**Post-IPO Awards**", and the term "**Post-IPO Award**" shall be construed accordingly); and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

(d) Post-IPO Scheme Mandate Limit

The initial total number of new Shares which may be issued pursuant to all Post-IPO Awards to be granted under the Post-IPO Share Scheme and Post-IPO Awards to be granted under any other share schemes of the Company is 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Post-IPO Scheme Mandate Limit**"). The Post-IPO Scheme Mandate Limit may be adjusted or refreshed from time to time in accordance with the rules of the Post-IPO Share Scheme, subject to compliance with any applicable laws, rules and regulations.

(e) Post-IPO Service Provider Sublimit

Within the Post-IPO Scheme Mandate Limit, the initial total number of new Shares which may be issued pursuant to Post-IPO Awards to be granted to Post-IPO Service Provider Participants under the Post-IPO Share Scheme is 1% Shares (the "**Post-IPO Service Provider Sublimit**"). The Post-IPO Service Provider Sublimit may be adjusted or refreshed from time to time in accordance with the rules of the Post-IPO Share Scheme, subject to compliance with any applicable laws, rules and regulations.

Shares which may be issued pursuant to Post-IPO Awards which have lapsed in accordance with the terms of the rules of the Post-IPO Share Scheme (or the terms of any other share schemes of the Company) shall not be counted for the purpose of calculating the Post-IPO Scheme Mandate Limit and/or the Post-IPO Service Provider Sublimit.

(f) Administration

The Board shall be responsible for administering the Post-IPO Share Scheme in accordance with the rules of the Post-IPO Share Scheme.

The authority to administer the Post-IPO Share Scheme may be delegated by the Board to a committee of the Board or to any other person(s) deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Post-IPO Awards and to determine the terms and conditions of such Post-IPO Awards, provided that nothing in this section shall prejudice the Board's power to revoke such delegation at any time or derogate from the discretion rested with the Board.

The scheme administrator may from time to time appoint one or more administrators, who may be independent third-party contractors, to assist in the administration of the Post-IPO Share Scheme, to whom they, at their sole discretion, may delegate such functions relating to the administration of the Post-IPO Share Scheme as they may think fit. The duration of office, terms of reference and remuneration (if any) of such administrator(s) shall be determined by the scheme administrator at their sole discretion from time to time.

(g) Implementation by Trust

The Company may establish one or more trusts and appoint one or more trustees to hold Shares for the purposes of: (i) holding Shares underlying Post-IPO Awards (which may be Shares newly allotted and issued by the Company or existing Shares purchased or acquired on-market or off-market by the trustee(s) under the trust or existing Shares transferred by any Shareholder(s) to the trustee(s) under the trust for the purpose of implementation of the Post-IPO Share Scheme at nil consideration or otherwise) ("**Post-IPO Award Shares**") and reserved for specified Post-IPO Eligible Participants; (ii) settling Post-IPO Awards under section (s) below; and (iii) taking other actions for the purposes of administering and implementing the Post-IPO Share Scheme. The trustee(s) of the trust shall be instructed by the Company, and unless otherwise agreed between the Company and the trustee(s), the scheme administrator shall act on behalf of the Company to give instructions to and direct the trustee(s).

The trustee(s) holding unvested Shares under the trust shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

(h) Grants and Types of Post-IPO Awards

The Board or scheme administrator may, from time to time, in their absolute discretion select any Post-IPO Eligible Participant to be a grantee and, subject to the rules of the Post-IPO Share Scheme, grant a Post-IPO Award, the nature and amount of which shall be determined by the Board or scheme administrator, to such grantee during a period of 10 years commencing at the time immediately prior to the Shares commencing trading on the Stock Exchange (the "**Post-IPO Scheme Adoption Date**") and ending on the 10th anniversary of the Post-IPO Scheme Adoption Date.

A Post-IPO Award may be in the form of:

(i) an award which vests in the form of the right to subscribe for and/or to be issued such number of Post-IPO Award Shares as the scheme administrator may determine at the Post-IPO Scheme Issue Price (as defined in section (n) below) in accordance with the terms of the Post-IPO Share Scheme (a "**Post-IPO Share Award**"); or

(ii) an award which vests in the form of the right to subscribe for such number of Post-IPO Award Shares as the scheme administrator may determine during the exercise period at the Post-IPO Scheme Exercise Price (as defined in section (n) below) in accordance with the terms of the Post-IPO Share Scheme (a "**Post-IPO Share Option**").

The Post-IPO Award Shares shall be identical to all existing issued Shares and (in respect of new Shares) shall be allotted and issued subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the other fully paid Shares in issue.

(i) Additional Approval for Grants Beyond Individual Limits

Unless approved separately by the Shareholders in general meeting, the total number of Post-IPO Award Shares issued and to be issued upon exercise of Post-IPO Awards granted and to be granted under the Post-IPO Share Scheme and any other share scheme(s) of the Company to each Post-IPO Eligible Participant (including both exercised and outstanding Post-IPO Share Options) in any 12-month period up to and including the date of such grant shall not exceed 1% of the total number of Shares in issue.

Grants of Post-IPO Awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the following additional rules:

(i) Such grant shall be subject to the prior approval of the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the Post-IPO Award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Post-IPO Awards).

(ii) In addition:

a. where any grant of Post-IPO Share Awards (i.e., excluding grant of Post-IPO Share Options) to any Director (other than an independent non-executive Director) or chief executive of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all awards granted (excluding any Post-IPO Awards lapsed in accordance with the terms of the Post-IPO Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or

b. where any grant of Post-IPO Awards to an independent non-executive Director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued in respect of all awards granted (excluding any Post-IPO Awards lapsed in accordance with the terms of the Post-IPO Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue,

such further grant of Post-IPO Awards must be approved by the Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.

(j) Restriction on the Times of Grants

No Post-IPO Award shall be granted to any Post-IPO Eligible Participant during the following time periods:

(i) in circumstances prohibited by the Listing Rules or at a time when the relevant Post-IPO Eligible Participant would be prohibited from dealing in the Shares by the Listing Rules (including the Model Code for Securities Transactions by Directors of Listed Issuers, set out in Appendix 10 to the Listing Rules) or by any applicable rules, regulations or law;

(ii) where the Company has come to its knowledge or is in possession of any unpublished inside information in relation to the Company, until (and including) the trading day after such inside information has been announced; and

(iii) during the periods commencing one month immediately before the earlier of the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period and the deadline for the Company to announce such results, and ending on (and including) the trading day after the date of the results announcement, provided that such period will also cover any period of delay in the publication of any results announcement.

(k) Acceptance

The scheme administrator may determine in their absolute discretion the amount (if any) payable on application or acceptance of a Post-IPO Award and the period within which any such payments must be made, and such amounts (if any) and periods shall be set out in the award letter issued to the relevant grantee setting out the terms and conditions of the relevant Post-IPO Award (the "**Post-IPO Award Letter**").

Unless otherwise specified in the Post-IPO Award Letter, the grantee shall have 10 business days (i.e., any day on which the Stock Exchange is open for the business of dealing in securities) from the grant date to accept the Post-IPO Award. A grantee may accept a Post-IPO Award by giving written notice of their acceptance to the scheme administrator, together with remittance in favour of the Company of any consideration payable upon grant of the Post-IPO Award. A Post-IPO Award may be accepted in whole or in part provided that it must be accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that a Post-IPO Award or part thereof is not accepted within the time and in the manner indicated in this section, the portion not accepted shall be deemed to have been irrevocably declined and shall automatically lapse.

(l) Issue Price and Exercise Price

For Post-IPO Awards which take the form of Post-IPO Share Awards, the price per share a grantee is required to pay for obtaining the Shares comprising the Post-IPO Share Awards (the "**Post-IPO Scheme Issue Price**") for the exercise of such Post-IPO Share Awards shall be such price determined by the scheme administrator in their absolute discretion and notified to the grantee in the Post-IPO Award Letter. For the avoidance of doubt, the scheme administrator may determine the Post-IPO Scheme Issue Price to be at nil consideration.

For Post-IPO Awards which take the form of Post-IPO Share Options, the price per Share at which a grantee may subscribe for Shares upon the exercise of a Post-IPO Share Option awarded (the "**Post-IPO Scheme Exercise Price**") for such Post-IPO Share Options shall be such price determined by the scheme administrator in their absolute discretion and notified to the Post-IPO Eligible Participant in the Post-IPO Award Letter, provided that the Post-IPO Scheme Exercise Price shall in any event be no less than the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date; and

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days (i.e., any day on which the Stock Exchange is open for the business of dealing in securities) immediately preceding the grant date.

(m) Vesting of Post-IPO Awards

The scheme administrator may in respect of each Post-IPO Award and subject to all applicable laws, rules and regulations determine such vesting criteria and conditions or periods for vesting of the Post-IPO Award in its sole and absolute discretion. The relevant vesting date of any Post-IPO Award shall be set out in the Post-IPO Award Letter.

The vesting date in respect of any Post-IPO Award shall be not less than 12 months from the grant date, provided that for Post-IPO Employee Participants, the vesting date may be less than 12 months from the grant date (including on the grant date) in certain circumstances as provided under the Post-IPO Share Scheme.

(n) Performance Targets

The scheme administrator may, in respect of each Post-IPO Award and subject to all applicable laws, rules and regulations, determine such performance targets, criteria or conditions for vesting of Post-IPO Awards in its sole and absolute discretion. Any such performance targets, criteria or conditions shall be set out in the Post-IPO Award Letter. For the avoidance of doubt, a Post-IPO Award shall not be subject to any performance targets, criteria or conditions if none are set out in the relevant Post-IPO Award Letter.

The scheme administrator (or body designated by the scheme administrator) shall specify in the Post-IPO Award Letter the person(s) of the Company that will assess how and whether such targets, criteria or conditions are satisfied.

Where performance targets, criteria or conditions are to be specified in the relevant Post-IPO Award Letter, the scheme administrator may determine such performance targets, criteria or conditions based on, among others criteria, the following considerations:

Grantee	Considerations
Director and member of senior management of the Company	Business or financial milestones or performance results, transaction milestones, the grantee's historical, current or anticipated contribution to the Group (including with respect to their experience, expertise, insight, management and oversight, or direction, etc.), as considered appropriate by the scheme administrator.
Post-IPO Employee Participant (except a Director or member of senior management of the Company)	If the performance appraisal within a specified period (such as in the previous year) reached a level to be further specified in the Post-IPO Award Letter, as determined by the scheme administrator (or body designated by the scheme administrator).
Post-IPO Related Entity Participant Post-IPO Service Provider Participant	Contributes, or is likely to contribute, to the long-term development of the Group, with reference to achieving specified targets, among other criteria, financial or business performance, minimum service period, or business collaboration milestones, as determined by the scheme administrator (or body designated by the scheme administrator).

(o) Exercise Period

The exercise period for any award of Post-IPO Share Options shall be such period determined by the scheme administrator in their absolute discretion and notified to the Post-IPO Eligible Participant in the Post-IPO Award Letter, provided that the exercise period shall not be longer than 10 years from the grant date. A Post-IPO Share Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the expiry of the tenth anniversary from the grant date.

The exercise period for any award of Post-IPO Share Awards shall be such period determined by the scheme administrator in their absolute discretion and notified to the Post-IPO Eligible Participant in the Post-IPO Award Letter. For the avoidance of doubt, the scheme administrator may determine the exercise period of a Post-IPO Share Award to be not applicable and determine that the Post-IPO Award Shares shall fall to be settled upon the vesting date without further action by the grantee.

The Post-IPO Award Shares shall be identical to all existing issued Shares and (in respect of new Shares) shall be allotted and issued subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the other fully paid Shares in issue.

(p) Voting and Dividend Rights

Post-IPO Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights. No grantee shall have any right to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Post-IPO Awards. No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Post-IPO Award unless and until the Shares underlying a Post-IPO Award are delivered to the grantee pursuant to the vesting and exercise of such Post-IPO Award.

(q) Transferability of Post-IPO Awards

Post-IPO Awards shall be personal to the grantee to whom they are made and shall not be assignable or transferable, except in circumstances where the written consent of the Company has been obtained and a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee shall be bound by the rules of the Post-IPO Share Scheme and all applicable Post-IPO Award Letters as if the transferee were the grantee.

(r) Cancellation of Post-IPO Awards

Any Post-IPO Awards granted but not exercised may be cancelled by the scheme administrator at any time with the prior consent of the grantee.

The scheme administrator may in their sole discretion determine to buyout a Post-IPO Award from a grantee at a price, and on such terms as, deemed fair and communicated to the grantee, following which, the purchased Post-IPO Award shall be cancelled.

(s) Lapse of Post-IPO Awards

Without prejudice to the authority of the scheme administrator to provide additional situations when a Post-IPO Award shall lapse in the terms of any Post-IPO Award Letter, a Post-IPO Award shall lapse automatically (to the extent not already vested and exercised) on the earliest of:

(i) the expiry of any applicable exercise period;

(ii) the date on which the Board makes a determination under section (t) below;

(iii) the expiry of any of the periods for accepting the Post-IPO Award as referred to in section (k) above;

(iv) the expiry of any of the periods for exercising the Post-IPO Award as referred to in sections (u), (v), (w) and (x) below;

(v) the date on which the grantee commits a breach of section (q) above; and

(vi) the date on which the grantee gives written notice to the scheme administrator that such Post-IPO Award is forfeited by the grantee.

The scheme administrator shall have the power to decide whether a Post-IPO Award shall lapse and its decision shall be binding and conclusive on all parties. The Company shall not owe any liability to any grantee for the lapse of any Post-IPO Award under this section.

(t) Clawback

In the event that (i) a grantee's employment or contractual engagement with the Group was terminated for cause or without notice, or otherwise as a result of the grantee having been charged, penalised or convicted of an offence involving the grantee's integrity or honesty; (ii) a grantee has committed a serious breach of an internal policy or code of any member of the Group or agreement with any member of the Group; (iii) a grantee has engaged in serious misconduct or breaches the terms of the Post-IPO Share Scheme in any material respect; or (iv) a Post-IPO Award to the grantee will no longer appropriate and aligned with the purpose of the Post-IPO Share Scheme, then the Board may make a determination at its absolute discretion that: (A) any Post-IPO Awards granted but not yet exercised shall immediately lapse, regardless of whether such Post-IPO Awards have vested or not, and (B) with respect to any Shares delivered, or actual selling price paid, to the grantee pursuant to any Post-IPO Awards granted under the Post-IPO Share Scheme, the grantee shall be required to transfer back to the Company or its nominee (1) the equivalent number of Shares, (2) an amount in cash equal to the market value of such Shares or the Post-IPO Scheme Actual Selling Price, or (3) a combination of (1) and (2).

(u) Retirement

If a grantee ceases to be a Post-IPO Eligible Participant by reason of the grantee's retirement: (i) any outstanding Post-IPO Awards not yet vested shall continue to vest in accordance with the vesting dates set out in the Post-IPO Award Letter, or such other period as the scheme administrator may determine at their sole discretion; and (ii) any vested Post-IPO Share Option may be exercised within the exercise period, failing which the Post-IPO Share Option shall lapse.

A grantee shall be taken to have retired on the date that the grantee retires upon or after reaching the age of retirement specified in the grantee's service agreement or pursuant to any retirement policy of the relevant member of the Group applicable to the grantee from time to time or, in case there is no such terms of retirement applicable to the grantee, with the approval of the Board or the board of the applicable member of the Group.

(v) Death or Permanent Incapacity

If a grantee ceases to be a Post-IPO Eligible Participant by reason of (i) death of the grantee; or (ii) the termination of the grantee's employment or contractual engagement with any member of the Group by reason of the grantee's permanent physical or mental disablement:

(i) in the case of Post-IPO Share Options, any vested Post-IPO Share Option may be exercised within the exercise period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the Post-IPO Share Option, the vested Post-IPO Share Option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong or the PRC. If the vested Post-IPO Share Option is not exercised within the time mentioned above, the Post-IPO Share Option shall lapse; and

(ii) in the case of Post-IPO Share Awards, any outstanding Post-IPO Share Awards not yet vested shall immediately vest, and the Company shall deliver such number of Post-IPO Award Shares as are equal to the vested Post-IPO Share Awards or the Post-IPO Scheme Actual Selling Price ("**Post-IPO Scheme Benefits**") to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong or the PRC, as the case may be, as soon as practicable following the death of the grantee or, if the Post-IPO Scheme Benefits would otherwise become *bona vacantia*, the Post-IPO Scheme Benefits shall be forfeited and cease to be transferable and such Post-IPO Scheme Benefits shall lapse.

(w) Bankruptcy

If a grantee is declared bankrupt or becomes insolvent or is wound-up or makes any arrangements or composition with the grantee's creditors generally, the grantee shall cease to be a Post-IPO Eligible Participant under the Post-IPO Share Scheme and any Post-IPO Awards not yet vested and any outstanding Post-IPO Share Options not yet exercised shall be immediately forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion. A resolution of the scheme administrator to the effect that a grantee or a Post-IPO Eligible Participant has or has not ceased to be a Post-IPO Eligible Participant for purposes of this section shall be conclusive.

(x) Other Reasons

Unless otherwise determined by the scheme administrator: (i) if a grantee ceases to be a Post-IPO Eligible Participant, or where the grantee's employment or contractual engagement with the Group is terminated, for reasons other than those set out in sections (y), (z), (aa) and (bb) above; or (ii) where the grantee's employment or contractual engagement with the Group has been suspended, or the grantee's position within or in relation to the Group has been vacated, for more than six months:

(i) a grantee may exercise any vested Post-IPO Share Options within 6 months of such cessation or within the exercise period, whichever is the shorter, or such other period as the scheme administrator may decide in their sole discretion. If a Post-IPO Share Option is not exercised within the time mentioned above, the Post-IPO Share Option shall lapse; and

(ii) any outstanding Post-IPO Share Awards not yet vested shall be immediately forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

(y) Alterations in Share Capital

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the Post-IPO Scheme Adoption Date, the scheme administrator shall make such corresponding adjustments, if any, as the scheme administrator in its discretion may deem appropriate to reflect such change with respect to:

(i) the number of Shares comprising the Post-IPO Scheme Mandate Limit or Post-IPO Service Provider Sublimit, provided that in the event of any Share subdivision or consolidation the Post-IPO Scheme Mandate Limit and Post-IPO Service Provider Sublimit as a percentage of the total issued Shares of the Company at the date immediately before any consolidation or subdivision shall be the same on the date immediately after such consolidation or subdivision, rounded to the nearest whole share;

(ii) the number of Shares comprised in each Post-IPO Award to the extent any Post-IPO Award has not been exercised;

(iii) the Post-IPO Scheme Exercise Price of any Post-IPO Share Option or Post-IPO Scheme Issue Price of any Post-IPO Share Award, or any combination thereof, as the auditors or a financial advisor engaged by the Company for such purpose have certified in writing satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that: (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments; and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value. The capacity of the auditors or financial advisor (as the case may be) in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees.

(z) Corporate Transactions

If there is an event of change in control (has the meaning as specified in the Takeovers Code) of the Company as the result of a merger, scheme of arrangement or general offer, or in the event of a dissolution or liquidation of the Company, the scheme administrator shall at its sole discretion determine whether the vesting dates of any Post-IPO Awards will be accelerated and/or the vesting conditions or criteria of any Post-IPO Awards will be amended or waived, and notify the grantees accordingly.

(aa) Amendment of the Scheme or Awards

Subject to the provisions of this section, the scheme administrator may amend any of the provisions of the Post-IPO Share Scheme or any Post-IPO Awards granted under the Post-IPO Share Scheme at any time and in any respect, provided that the terms of the Post-IPO Share Scheme or Post-IPO Awards so altered must comply with the relevant requirements of Chapter 17 of the Listing Rules.

The consent of the relevant grantee is required for any change to the provisions of the Post-IPO Share Scheme or any Post-IPO Awards granted under the Post-IPO Share Scheme to the extent that such amendment or alteration has a material adverse effect on any subsisting rights of that grantee at that date in respect of Post-IPO Awards already granted to that grantee and to the extent that such Post-IPO Awards have not vested or lapsed or been forfeited, provided that no such consent shall be required if the scheme administrator determines in its sole discretion that such amendment or alteration either:

(i) is necessary or advisable in order for the Company, the Post-IPO Share Scheme or the Post-IPO Award to satisfy any applicable law or Listing Rules or to meet the requirements of, or avoid adverse consequences under, any accounting standard; or

(ii) is not reasonably likely to diminish materially the benefits provided under such Post-IPO Award, or that any such diminishment has been adequately compensated.

The approval of the Shareholders in general meeting is required for:

(i) any amendment or alteration to the terms of the Post-IPO Share Scheme which are of a material nature or to those provisions of the Post-IPO Share Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules to the extent that such alteration or amendment operates to the advantage of Post-IPO Eligible Participants; and

(ii) any change to the authority of the Board or the scheme administrator, including under this section, to alter the terms of the Post-IPO Share Scheme shall be subject to the approval of the Shareholders in general meeting.

Any amendment or alteration to the terms of any Post-IPO Award the grant of which was subject to the approval of a particular body (such as the Board or any committee thereof, the independent non-executive Directors, or the Shareholders in general meeting) shall be subject to approval by that same body, except where the relevant alteration takes effect automatically under existing terms of the Post-IPO Share Scheme.

(bb) Scheme Life and Termination

Subject to the paragraph below, the Post-IPO Share Scheme shall be valid and effective for the period of 10 years commencing on the Post-IPO Scheme Adoption Date and ending on the 10th anniversary of the Post-IPO Scheme Adoption Date (the "**Post-IPO Scheme Period**").

The Post-IPO Share Scheme shall terminate on the earlier of:

(i) the expiry of the Post-IPO Scheme Period; and

(ii) such date of early termination as determined by the Board,

following which no further Post-IPO Awards will be offered or granted under the Post-IPO Share Scheme, provided that notwithstanding such termination, the Post-IPO Share Scheme and the rules therein shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Post-IPO Awards granted prior to the termination of the Post-IPO Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee hereunder.

Post-IPO Awards complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Scheme and remaining unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Scheme in accordance with the paragraph above shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Scheme.

E. OTHER INFORMATION

1. Estate duty and Tax Indemnity

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Indemnities given by our Controlling Shareholders

Each of our Controlling Shareholders has agreed with our Company (for ourselves and as trustee for our subsidiaries) that they will fully indemnify and at all times keep each member of our Group indemnified on demand from and against any fines, penalties, claims, costs, charges, interests, expenses, losses and liabilities incurred or to be incurred by any member of our Group as a result of any Former Employee's claim(s) in respect of Alleged Interests as disclosed in the section headed "History, Reorganization and Corporate Structure – Major Corporate Development and Shareholding Changes of our Company and Major Subsidiaries – Our Company" of this prospectus.

3. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed "Business – Legal Proceedings and Compliance", no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the Global Offering; and (ii) the Post-IPO Share Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to "Underwriting – Independence of Sole Sponsor" for details regarding the independence of the Sole Sponsor.

The fee payable to the Sole Sponsor is HK$5 million and are payable by our Company.

5. No Material Adverse Change

Our Directors confirm that, save as disclosed in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since April 30, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China Securities (International) Corporate Finance Company Limited	Licensed corporation under the SFO permitted to carry out type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588)
Han Kun Law Offices	Legal advisors as to PRC Law
Maples and Calder (Hong Kong) LLP	Legal advisors as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc.	Industry consultant
Protiviti Shanghai Co., Ltd.	Special internal control consultant

7. Consents of Experts

Each of the experts as referred to in "E. Other Information – 6. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinion (as the case may be) and references to their names included in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any member of our Group.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately US$4,000 and were payable by us.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares or debentures of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus; and

(ii) our Company has no outstanding convertible debt securities or debentures.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the **GREEN** Application Form;

(b) copies of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV; and

(c) the written consents referred to in "Statutory and General Information – E. Other Information – 7. Consents of Experts" in Appendix IV.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display online on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.luyuan.cn**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report for the three years ended December 31, 2022 and the four months ended April 30, 2023 from PricewaterhouseCoopers, the text of which is set out in Appendix I;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2022 and the four months ended April 30, 2023;

(d) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II;

(e) the legal opinions issued by Han Kun Law Offices, our PRC Legal Advisors in respect of certain aspects of our Group and the property interests of our Group;

(f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman legal advisors, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III;

(g) the special internal control report issued by Protiviti Shanghai Co., Ltd., our special internal control consultant;

(h) the industry report issued by Frost & Sullivan;

(i) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV;

(j) the written consents referred to in "Statutory and General Information – E. Other Information – 7. Consents of Experts" in Appendix IV;

(k) service contracts and letters of appointment referred to in "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Directors' Service Contracts and Letters of Appointment" in Appendix IV;

(l) the terms of the Pre-IPO Share Scheme;

(m) the terms of the Post-IPO Share Scheme; and

(n) the Cayman Companies Act.

3. DOCUMENT AVAILABLE FOR INSPECTION

A list of all the grantees under the Pre-IPO Share Scheme, containing all details as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Han Kun Law Offices LLP at Rooms 3901-05, 39/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus.

綠源集團控股（開曼）有限公司*
Luyuan Group Holding (Cayman) Limited