LUYUAN

绿源

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)

(Stock Code: 2451)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Luyuan Group Holding (Cayman) Limited (the "**Company**" or "**Luyuan**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2022 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue amounted to RMB5,083.0 million, representing a year-on-year increase of approximately 6.3%;
- Gross profit amounted to RMB681.2 million, representing a year-on-year increase of approximately 21.4%; and
- Profit for the year amounted to RMB145.6 million, representing a year-on-year increase of approximately 23.4%.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2023

		Year ended December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**5,082,982**	4,783,023
Cost of sales	*6*	**(4,401,743)**	(4,221,691)
Gross profit		**681,239**	561,332
Selling and marketing costs	*6*	**(316,228)**	(259,567)
Administrative expenses	*6*	**(99,240)**	(89,059)
Research and development costs	*6*	**(189,399)**	(150,498)
Provision of impairment on financial assets		**(908)**	(1,650)
Other income	*4*	**62,720**	37,750
Other expense	*4*	**(6,522)**	(6,093)
Other gains — net	*5*	**8,728**	33,567
Operating profit		**140,390**	125,782
Finance income	*7*	**32,661**	21,038
Finance costs	*7*	**(21,984)**	(24,773)
Finance income/(costs) — net	*7*	**10,677**	(3,735)
Share of results of associates		**73**	201
Profit before income tax		**151,140**	122,248
Income tax expenses	*8*	**(5,533)**	(4,218)
Profit for the year		**145,607**	118,030
Attributable to the equity holders of the Company		**145,607**	118,030
Earnings per share for profit attributable to equity holders of the Company			
— Basic (RMB cents per share)	*9*	**0.43**	0.37
— Diluted (RMB cents per share)	*9*	**0.43**	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

		Year ended December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Profit for the year		**145,607**	118,030
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**3,862**	209
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		**859**	731
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of the Company		**(9,306)**	764
Total comprehensive income for the year		**141,022**	119,734
Attributable to the equity holders of the Company		**141,022**	119,734

CONSOLIDATED BALANCE SHEET

As at December 31, 2023

		As at December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**958,641**	844,125
Right-of-use assets		**96,492**	95,722
Intangible assets		**1,068**	1,711
Investments in associates		**1,517**	1,444
Deferred income tax assets		**11,836**	17,029
Other receivables and prepayments	*12*	**127,698**	116,028
Time deposits		**30,000**	—
Trade and lease receivables	*11*	**4,543**	9,976
		1,231,795	1,086,035
Current assets			
Inventories	*10*	**254,028**	445,672
Trade and notes and lease receivables	*11*	**218,955**	294,809
Other receivables and prepayments	*12*	**202,992**	132,632
Financial assets at fair value through profit or loss		**545,326**	533,565
Debt instruments at fair value through other comprehensive income		**31,637**	95,229
Time deposits		**213,800**	119,200
Restricted cash		**168,980**	81,820
Cash and cash equivalents		**994,968**	395,038
		2,630,686	2,097,965
Total assets		**3,862,481**	3,184,000
Net current assets/(liabilities)		**801,603**	(17,173)

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
OWNERS' EQUITY			
Share capital		**305**	22
Share premium		**688,457**	—
Other reserves		**279,805**	247,217
Retained earnings		**558,998**	432,599
Capital and reserve attributable to equity holders of the Company		**1,527,565**	679,838
Total equity		**1,527,565**	679,838
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**477,319**	369,724
Provisions		**3,395**	2,432
Lease liabilities		**4,061**	2,310
Deferred income		**21,058**	14,558
		505,833	389,024
Current liabilities			
Trade and notes and other payables	*14*	**1,552,893**	1,704,646
Contract liabilities		**82,710**	96,384
Borrowings	*15*	**166,027**	286,862
Provisions		**6,560**	4,576
Lease liabilities		**3,308**	2,798
Income tax liabilities		**17,585**	19,872
		1,829,083	2,115,138
Total liabilities		**2,334,916**	2,504,162
Total equity and liabilities		**3,862,481**	3,184,000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in Cayman Islands on February 18, 2009 as an exempted company. The address of its registered office is P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands.

The Group is principally engaged in electric vehicle business in the People's Republic of China (the "**PRC**").

The ultimate holding companies of the Company are Apex Marine Investments Limited, Drago Investments Limited, and Best Expand Holdings Limited, 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**").

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on October 12, 2023 (the "**Listing Date**").

The functional currency of the Company is Hong Kong dollar ("**HKD**") 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, unless otherwise stated.

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended December 31, 2023 but are extracted from those financial statements.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements 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 measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management of the Company to exercise its judgement in the process of applying the Group's accounting policies.

New and amended standards of HKFRSs effective from January 1, 2023

A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group's financial position or operating result and did not require retrospective adjustment.

		Effective for accounting periods beginning on or after
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 1 and HKAS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules	January 1, 2023

New standards, amendments and interpretation of HKFRSs, not yet adopted

Certain new accounting standards, amendments and interpretation have been published that are not mandatory for the year ended December 31, 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		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 HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKFRS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined
Hong Kong Interpretations 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024

3 REVENUE AND SEGMENT REPORTING

3.1 Disaggregation of revenue from contract with customers

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Sales of goods	**5,017,533**	4,727,769
Revenue from services	**65,449**	55,254
	5,082,982	4,783,023
Timing of revenue recognition		
At point in time	**5,017,533**	4,727,769
Over time	**65,449**	55,254
	5,082,982	4,783,023

Information about major customers

In 2022 and 2023, no individual customer's revenue contributed over 10% of the Group's revenue.

3.2 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker (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.

4 OTHER INCOME AND EXPENSE

	Year ended December 31, **2023** *RMB'000*	2022 *RMB'000*
Other income		
Income from obsolete material and work in progress	**7,222**	8,041
Rental income from operating lease	**1,810**	1,520
Interest income from time deposits	**2,351**	2,399
Interest income from financing lease and long-term receivables	**1,141**	204
Government grants *(Note)*	**45,318**	20,549
Others	**4,878**	5,037
	62,720	37,750
Other expense		
Cost of obsolete material and work in progress	**(5,131)**	(4,475)
Others	**(1,391)**	(1,618)
	(6,522)	(6,093)

Note: The government grants mainly comprised the general support, subsidies for stabilizing employment, tax refunds and other subsidies granted by the local governments.

5 OTHER GAINS — NET

	Year ended December 31, **2023** *RMB'000*	2022 *RMB'000*
Exchange gains	**815**	1,121
Fair value changes on financial assets at fair value through profit or loss	**15,585**	19,588
Donation	**(529)**	(671)
Gains/(losses) on disposal of property, plant and equipment and right-of-use assets	**(209)**	1,706
Gains from disposal of a subsidiary	**—**	27
Gains from disposal of associates	**—**	6,840
Others — Net	**(6,934)**	4,956
	8,728	33,567

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs, administrative expenses and research and development costs are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Raw materials and consumables used	**4,069,415**	3,919,913
Employee benefits expenses	**330,078**	293,055
Advertising expense	**110,287**	79,521
Outsourcing labor fee	**147,993**	122,990
Freight	**41,490**	40,772
Travel expense	**43,366**	33,338
Consulting costs	**14,882**	26,688
Depreciation of property, plant and equipment	**85,946**	69,950
Amortization of intangible assets	**930**	957
Depreciation of right-of-use assets	**4,850**	4,504
Expense relating to short-term leases or low value leases	**5,353**	6,613
Design fee	**50,901**	35,583
Warranty	**6,876**	6,601
Tax and surcharges	**19,497**	18,571
Office expense	**19,958**	19,570
Expense relating to listing	**24,223**	15,087
Auditors' remuneration		
— Audit services	**2,424**	279
— Non-audit services	**350**	17
Other expenses	**27,791**	26,806
Total cost of sales, selling and marketing costs, administrative expenses and research and development costs	**5,006,610**	4,720,815

7 FINANCE INCOME/(COSTS) — NET

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Finance costs		
— Interest on bank loans and other loans	**(21,729)**	(24,682)
— Interest on lease liabilities	**(255)**	(91)
Total finance costs	**(21,984)**	(24,773)
Finance income		
— Interest income on bank deposits	**32,661**	21,038
Net finance income/(costs)	**10,677**	(3,735)

8 INCOME TAX EXPENSES

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
PRC corporate income tax	**626**	347
Deferred income tax	**4,907**	3,871
Total income tax expenses	**5,533**	4,218

The general PRC corporate income tax (CIT) rate is 25% during the years ended December 31, 2022 and 2023 except that two subsidiaries apply the income tax rate of 15% pertaining to their high-tech certificate and two subsidiaries enjoy preferential income tax rate for small low-profit enterprises.

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 Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings as at December 31, 2023 will not be distributed in the foreseeable future, therefore, no deferred income tax for PRC withholding income tax was recognized on the unremitted distributable profits as at December 31, 2023 for its PRC subsidiaries attributable to the investors outside the PRC.

9 EARNINGS PER SHARE

(a) Basic 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. In determining the weighted average number of ordinary shares in issue during the years ended December 31, 2022 and 2023, the 288,000,000 shares issued and allotted through capitalization of the share premium account of the Company upon listing on the Stock Exchange on the Listing Date have been regarded as if these shares were in issue since January 1, 2022.

	Year ended December 31,	
	2023	2022
Profit attributable to equity holders of the Company *(RMB'000)*	**145,607**	118,030
Weighted average number of shares in issue *(in thousand)*	**335,859**	320,000
Basic earnings per share *(RMB cents per share)*	**0.43**	0.37

(b) Dilute earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Options granted to employees under the Pre-IPO Share Scheme (as defined in the prospectus of the Company dated September 28, 2023 (the "**Prospectus**")) are considered to be potential ordinary shares.

	Year ended December 31,	
	2023	2022
Profit attributable to equity holders of the Company *(RMB'000)*	**145,607**	118,030
Weighted average number of ordinary shares in issue *(in thousand)*	**335,859**	320,000
Adjustments for share based compensation — Options under the Pre-IPO Share Scheme *(in thousand)*	**1,651**	—
Weighted average number of ordinary shares for the calculation of diluted EPS *(in thousand)*	**337,510**	320,000
Diluted earnings per share *(RMB cents per share)*	**0.43**	0.37

10 INVENTORIES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Raw materials	**61,237**	97,582
Work in progress	**22,365**	50,927
Finished goods	**168,665**	295,046
Goods in transit	**1,761**	2,117
	254,028	445,672

No inventory provision was made for the years ended December 31, 2022 and 2023.

During the years ended December 31, 2022 and 2023, inventories recognized as cost of sales amounted to approximately RMB3,919,913,000 and RMB4,068,630,000 respectively.

11 TRADE AND NOTES AND LEASE RECEIVABLES

(a) Trade receivables — current and notes receivables

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables — current	**199,565**	189,664
Less: Provision for impairment of receivables — current	**(19,727)**	(22,212)
	179,838	167,452

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Notes receivables	**29,790**	118,850
Less: Provision for impairment of receivables	**(112)**	(436)
	29,678	118,414
	209,516	285,866

The ageing analysis of trade receivables — current, based on the revenue recognition date is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**159,912**	167,566
Between 1 and 2 years	**29,745**	4,212
Between 2 and 3 years	**2,327**	2,558
Over 3 years	**7,581**	15,328
	199,565	189,664

(b) Lease receivables

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Finance lease receivables — current	**9,700**	9,178
Finance lease receivables — non-current	**—**	10,239
	9,700	19,417
Less: Provision for impairment of receivables — current	**(261)**	(235)
Less: Provision for impairment of receivables — non-current	**—**	(263)
	(261)	(498)
	9,439	18,919

The amount of lease receivables to be received is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**9,700**	9,178
Over 1 year	**—**	10,239
	9,700	19,417

(c) Trade receivables — non-current

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables non-current	**4,669**	—
Less: Provision for impairment of receivables — non-current	**(126)**	—
	4,543	—

The ageing analysis of trade receivables — non-current, based on the revenue recognition date is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**4,669**	—
Over 1 year	**—**	—
	4,669	—

Majority of Group's trade and notes and lease receivables were denominated in RMB.

12 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Non-current		
Prepayments for construction and equipment	**20,977**	29,459
Deposits	**1,512**	1,496
Payment of decoration costs	**105,250**	85,113
Less: Provision for impairment of other receivables	**(41)**	(40)
	127,698	116,028
Current		
Prepayments for raw materials	**17,436**	25,384
Prepaid expenses	**64,591**	11,567
Prepaid taxes and surcharges and input VAT to be deducted	**11,327**	10,865
Receivables from disposal of land use rights	**20,000**	20,000
Loans to a related party	**—**	11,000
Loans to third parties	**3,358**	5,648
Deposits	**1,320**	1,360
Payment of decoration costs	**104,403**	70,162
Prepayments for listing expenses	**—**	5,745
Others	**11,099**	9,097
Less: Provision for impairment of other receivables	**(30,542)**	(38,196)
	202,992	132,632
	330,690	248,660

13 DIVIDENDS

No dividend has been paid or declared by the Company during the years ended December 31, 2022 and 2023.

14 TRADE AND NOTES AND OTHER PAYABLES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**445,558**	588,356
Notes payable	**895,700**	907,478
Other tax payables	**61,577**	37,756
Payable for land and equipment	**32,942**	43,460
Deposits	**12,270**	8,339
Accrued expenses	**38,776**	40,845
Accrued payroll	**63,275**	61,426
Unfulfilled government grants	**—**	14,214
Others	**2,795**	2,772
	1,552,893	1,704,646

The ageing analysis of trade payables based on invoice date as at December 31, 2022 and 2023 are as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**430,663**	577,359
Between 1 and 2 years	**6,121**	5,300
Between 2 and 3 years	**3,175**	2,541
Over 3 years	**5,599**	3,156
	445,558	588,356

As at December 31, 2022 and 2023, the fair value of trade and notes and other payables approximate their carrying amounts.

As at December 31, 2022 and 2023, the carrying amounts of trade and notes and other payables are denominated in RMB, USD and HKD.

15 BORROWINGS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
— Bank loans-secured	**435,119**	375,424
— Bank loans-unsecured	**48,800**	50,000
Less: Current portion of long-term borrowings		
— Bank loans-secured	**(5,400)**	(54,500)
— Bank loans-unsecured	**(1,200)**	(1,200)
Total non-current borrowings	**477,319**	369,724
Borrowings included in current liabilities:		
— Bank loans-secured	**10,427**	3,132
— Bank loans-unsecured	**30,000**	104,000
— Other borrowings	**119,000**	124,030
Add: Current portion of long-term borrowings		
— Banks loans-secured	**5,400**	54,500
— Bank loans-unsecured	**1,200**	1,200
Total current borrowings	**166,027**	286,862
Total borrowings	**643,346**	656,586

BUSINESS REVIEW AND OUTLOOK

Business Review

In 2023, the two-wheeled electric vehicle industry navigated through a year of changes driven by technological innovation and changing customer preferences. Over the past two years, the Group responded by introducing a sports line under its S Series, meeting demands for speed, mecha, and minimalist styles, and a fashion line under its Moda series, catering to consumer preferences for classic retro, modern, and cute and sweet styles. Despite the industry's intensified competition, the Group achieved remarkable financial and operational performance in 2023 owing to the Group's enhanced product competitiveness through successful application of core technologies, deep insight into consumer preferences, expansion of distribution network as well as improvements in manufacturing capacity and efficiency. The Group's revenue increased by approximately 6.3% from RMB4,783.0 million in 2022 to RMB5,083.0 million in 2023, primarily driven by the significant growth in its sales volume. The Group also recorded double-digit growth in gross profit by approximately 21.4% from RMB561.3 million in 2022 to RMB681.2 million in 2023, mainly attributable to the Group's effective branding and marketing strategies which uplifted sales of high-end product models as well as increasing economies of scale. The listing on the Stock Exchange of the Company also marked a new phase in its development.

Throughout the Reporting Period, the Group leveraged a variety of marketing vehicles across traditional and new media channels to enhance visibility and recognition of its "Luyuan" brand. A case in point would be the Group's engagement with the national table tennis team as its spokespersons in March 2023, around which the Group has launched and will continue to create and launch various marketing campaigns. In addition, the Group continued to strengthen its foothold in the PRC market by further expanding its extensive distribution network. As of December 31, 2023, the Group's offline distribution network had covered 324 cities in 30 provincial-level administrative regions across mainland China.

The Group remains committed in positioning itself at the forefront of technological advancements in the electric two-wheeled vehicle industry. As of December 31, 2023, the Company had 489 patents, leading the industry in invention patents. In response to evolving customer preferences and increasing market competition, the Group promptly introduced a range of high-performance and cost-effective product offerings that collectively contributed to its financial success during the year. In particular, the year 2023 marked the debut of the Group's second generation electric two-wheeled vehicles, represented by the S Series, which features the Group's proprietary 2.0 liquid-cooled motor and upgraded solid-state controller among other electronic control systems. Such innovations have not only elevated the performance and reliability of the Group's products but also significantly reduced the failure rates of electrical components. This progress underscores the Group's commitment to establishing electric two-wheeled vehicles as durable consumer goods. In terms of intellectualization, selected vehicle models represented by the S Series are equipped with the Group's self-developed PCDS (private customized design system) technology, which enables personalized vehicle settings for an improved intelligent riding experience, and a digital battery maintenance system. The digital battery maintenance system does not only represent the Group's latest breakthrough in digital battery maintenance technology which will greatly improve battery safety and extend battery life, but also ensures consistent battery capacity output even in the cold northern climates, guaranteeing consistent performance and range without diminishment. Following its double cabin highspeed motor winning the first prize in the Science and Technology Progress Award in March 2022, the Group's liquid-cooled integrated motor also won the first prize in the Science and Technology Invention Award in March 2023.

Striving to affirm its place at the forefront of PRC's electric two-wheeled vehicles industry, the Group is committed to expanding its production capabilities to address growing demands for its products. In particular, the Group has planned to strategically construct a new production facility (the "**Chongqing Plant**") in Chongqing City, a city recognized for its mature supply chains and supporting resources. As disclosed in the announcement of the Company dated March 1, 2024, the Company has acquired state-owned construction land use rights for a parcel of land in Dazu District, Chongqing City, PRC for this purpose. As of the date of this announcement, construction of the Chongqing Plant has commenced. Furthermore, the Group has also progressively elevated the informatization level and production efficiency of its other production facilities, including the Shandong Plant and Guangxi Plant, through deploying more new and advanced production machinery and equipment.

Outlook

The "*Luyuan*" brand of the Group has a prominent presence in the highly competitive and concentrated electric two-wheeled vehicle market for a history of nearly 27 years. Looking forward, the Group will remain committed to further strengthening its core competencies and capabilities, and will continue to implement the following growth strategies:

— *Enhancing the Group's research and development capabilities.* In terms of foundational research and development, the Group is dedicated to advancing its liquid cooling technology and enhancing its capabilities in innovative technologies such as digital battery maintenance, aiming to further improve the performance and reliability of its products. In terms of product development, the Group will focus on leveraging its core technologies to expand its product offerings, including but not limited to high-speed electric motorcycles, leisure electric tricycles, foldable vehicles and models designed specifically for deliverymen. Additionally, the Group is also actively building its technical reserves for battery swapping, preparing for future advancements in this area.

— *Enhancing production capacity.* The Group will continue the construction of the Chongqing Plant in 2024. The Group expects the new production facility to incrementally increase its production capacity up to approximately 2.0 million units annually by 2026.

— *Enhancing brand awareness.* The Group will leverage its proven success in entertainment marketing to expand its appeal among young users, particularly through targeted branding campaigns on campuses. Additionally, the Group plans to elevate brand awareness through strategic co-branding with other well-known brands. The Group's marketing campaigns will aim to reinforce the Group's brand image of reliability and innovation around its 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, durability and technological advantages of its liquid-cooled electric vehicles and other popular products.

— *Upgrading, expanding and optimizing the layout of the Group's sales and distribution network.* The Group attempts to bring online traffic to its physical retail outlets by leveraging various marketing vehicles including social media to carry out branding and promotion activities. The Group will also launch new products to satisfy the needs of different market segments and provide competitive product matrix for different regions. The Group plans to further support and motivate distributors to operate additional retail outlets or develop sub-distributors, especially in Eastern China and Central and Southern China.

— *Expanding the Group's business in international markets.* The Group will focus on expanding its presence in the Southeast Asia markets, such as major cities of Thailand, Indonesia, Malaysia, and Vietnam. The Group will also promote innovative cooperation in Europe and the United States to enhance its brand potential, and develop products that meet local consumers' needs.

With continuous and comprehensive enhancement of its capabilities, the Group believes that it is well-positioned to capture the opportunities arising from the fast-paced developing global market for electric mobility.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group recorded revenue of RMB5,083.0 million in 2023, representing an increase of approximately 6.3% from RMB4,783.0 million in 2022, primarily due to the increases in the sales volume of electric two-wheeled vehicles and batteries, which are attributable to the Group's successful application of core technologies that enhanced the Group's product competitiveness and further expansion of the Group's retail outlets network.

	For the year ended December 31,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Types of products				
Electric bicycles	**2,699,887**	**53.1**	2,232,086	46.7
Electric scooters[1]	**1,021,390**	**20.1**	1,212,064	25.3
Batteries[2]	**1,093,648**	**21.5**	1,052,365	22.0
Electric two-wheeled vehicle parts[3]	**201,200**	**4.0**	226,164	4.7
Others	**1,408**	**0.0**	5,090	0.1
Subtotal	**5,017,533**	**98.7**	4,727,769	98.8
Types of services				
Training services	**26,611**	**0.5**	36,765	0.8
Others	**38,838**	**0.8**	18,489	0.4
Subtotal	**65,449**	**1.3**	55,254	1.2
Total	**5,082,982**	**100.0**	4,783,023	100.0

Notes:

(1) Representing electric motorcycles and electric mopeds. The revenue and sales volume of electric mopeds represent a relatively small portion of the Group's total revenue and sales volume, thus the revenue of electric mopeds has been grouped together with that of electric motorcycles.

(2) Representing batteries sold together with the Group's electric two-wheeled vehicles.

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

Revenue from sales of electric bicycles increased by approximately 21.0% from RMB2,232.1 million in 2022 to RMB2,699.9 million in 2023, primarily due to the Group's timely response to the change in customers preferences resulting in an increase in the sales volume of electric bicycles by approximately 26.4%.

Revenue from sales of electric scooters decreased by approximately 15.7% from RMB1,212.1 million in 2022 to RMB1,021.4 million in 2023, primarily due to a decrease in the sales volume of electric mopeds by approximately 78.2% as a result of the lasting effects of the implementation of the Safety Technical Specification for Electric Bicycle (GB17761–2018) (《電動自行車安全技術規範》(GB17761–2018)) in 2019. This technical standard, which prohibits electric mopeds from carrying passengers and requires riders to hold a valid license, has continued to impact the market and resulted in a decline in consumer demand for electric mopeds.

Revenue from sales of batteries increased by approximately 3.9% from RMB1,052.4 million in 2022 to RMB1,093.6 million in 2023, primarily due to an increase in the sales volume of batteries by 7.3%.

Cost of Sales

Cost of sales of the Group increased by approximately 4.3% from RMB4,221.7 million in 2022 to RMB4,401.7 million in 2023, primarily in line with sales growth of the Group.

Gross Profit and Gross Profit Margin

Gross profit for the Group increased by approximately 21.4% from RMB561.3 million in 2022 to RMB681.2 million in 2023.

The gross profit margin for the Group increased from 11.7% in 2022 to 13.4% in 2023, primarily attributable to (i) increased sales contribution from high-end products with higher gross profit margins; (ii) the decrease in manufacturing costs as a result of the Group's efforts in research and development to optimize its manufacturing process; and (iii) the decrease in average procurement costs as a result of economies of scale derived from the Group's growing purchase amount.

Selling and Marketing Costs

Selling and marketing costs of the Group increased by approximately 21.8% from RMB259.6 million in 2022 to RMB316.2 million in 2023, primarily attributable to the increases in advertising expenses, employee benefits expenses and e-commerce information system fees.

Administrative Expenses

Administrative expenses of the Group increased by approximately 11.4% from RMB89.1 million in 2022 to RMB99.2 million in 2023, primarily attributable to an increase in employee benefits expenses.

Research and Development Costs

Research and development costs of the Group increased by approximately 25.8% from RMB150.5 million in 2022 to RMB189.4 million in 2023, primarily attributable to the increases in employee benefits expenses and mould depreciation and design fees.

Provision of Impairment on Financial Assets

Provision of impairment on financial assets decreased by approximately 45.0% from RMB1.7 million in 2022 to RMB0.9 million in 2023, primarily attributable to a slight decrease in the balance of other receivables.

Other Income

Other income of the Group increased by approximately 66.1% from RMB37.8 million in 2022 to RMB62.7 million in 2023, primarily attributable to the increase in government grants, which mainly comprised the general support, subsidies for stabilizing employment, tax refunds and other subsidies granted by the local governments.

Other Expense

Other expense of the Group remained relatively stable at RMB6.1 million in 2022 and RMB6.5 million in 2023, respectively.

Other Gains — Net

Other gains — net of the Group decreased by approximately 74.0% from RMB33.6 million in 2022 to RMB8.7 million in 2023, primarily because (i) the handling fees incurred by the Group in relation to debt instruments measured at fair value through other comprehensive income increased in 2023; and (ii) the Group recorded gains from disposal of associates in 2022 and no such gains were recorded in 2023.

Finance Income/(Costs) — Net

The Group recognized a net finance income of RMB10.7 million in 2023 while it incurred net finance costs of RMB3.7 million in 2022, primarily due to an increase in the interest income on bank deposits and a decrease in the interest expenses of bank borrowings.

Share of Results of Associates

The Group's share of results of associates represents the profits attributable to it from its equity interest in several associates. Share of results of associates of the Group decreased by approximately 63.7% from RMB201,000 in 2022 to RMB73,000 in 2023, primarily due to the decrease in the profits of associates of the Group.

Income Tax Expenses

Income tax expenses of the Group increased by approximately 31.2% from RMB4.2 million in 2022 to RMB5.5 million in 2023, primarily attributable to an increase in the Group's profits for the year.

Profit for the Year

As a result of the foregoing, profit for the year of the Group increased by approximately 23.4% from RMB118.0 million in 2022 to RMB145.6 million in 2023.

Inventories

The Group's inventories consist of raw materials, work in progress, finished goods and goods in transit. The Group's inventories decreased by approximately 43.0% from RMB445.7 million as of December 31, 2022 to RMB254.0 million as of December 31, 2023, primarily due to the Group's improved asset management efficiency thereby leading to a faster turnover of inventories in 2023.

Trade Receivables

The Group's trade receivables increased by approximately 10.1% from RMB167.5 million as of December 31, 2022 to RMB184.4 million as of December 31, 2023, primarily attributable to the increase in credit sales to institutional customers.

Other Receivables and Prepayments

The Group's other receivables and prepayments increased by approximately 33.0% from RMB248.7 million as of December 31, 2022 to RMB330.7 million as of December 31, 2023, primarily due to the increases in payment of decoration costs and prepaid advertising expenses.

Property, Plant and Equipment

The Group's property, plant and equipment consist of buildings, machinery and equipment, office equipment, motor vehicles, construction in progress and decoration and leasehold improvement. Property, plant and equipment of the Group increased by approximately 13.6% from RMB844.1 million as of December 31, 2022 to RMB958.6 million as of December 31, 2023, primarily due to the expansion in production scale and the upgrading of equipment.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

The financial assets at FVTPL held by the Group mainly comprise certificate of deposits and structured deposits and other wealth management products purchased from reputable commercial banks. The balance of financial assets at FVTPL increased by approximately 2.2% from RMB533.6 million as of December 31, 2022 to RMB545.3 million as of December 31, 2023, primarily attributable to the increase in certificate of deposits. For the Reporting Period, the Company recorded gains from fair value changes on financial assets at FVTPL of RMB15.6 million. The Group's investment in wealth management products and structured deposits is for the purpose of improving the return on idle cash and bank balances.

Trade Payables

The Group's trade payables decreased by approximately 24.3% from RMB588.4 million as of December 31, 2022 to RMB445.6 million as of December 31, 2023, primarily due to the decrease in payables for the procurement of inventories as a result of a faster turnover of inventories.

Capital Structure

The total assets of the Group increased by approximately 21.3% from RMB3,184.0 million as of December 31, 2022 to RMB3,862.5 million as of December 31, 2023. The total liabilities of the Group decreased by approximately 6.8% from RMB2,504.2 million as of December 31, 2022 to RMB2,334.9 million as of December 31, 2023. Total liabilities-to-assets ratio decreased from 78.6% as of December 31, 2022 to 60.5% as of December 31, 2023. The current ratio of the Group, being current assets divided by current liabilities as of the respective date, increased from 0.99 times as of December 31, 2022 to 1.44 times as of December 31, 2023.

Liquidity, Financial Resources and Gearing Ratio

The Group adopts a stable and prudent funding and treasury policy with a view to optimizing its financial position and mitigating financial risks. The Group examines and monitors its funding requirements on a regular basis to ensure sufficient financial resources to sustain its current business operations and its future investments and expansion plans.

For the Reporting Period, the Group financed its operations primarily through cash and cash equivalents, cash flows from operating activities, available bank loans and banking facilities, and net proceeds (the "**Net Proceeds**") from the Global Offering (as defined in the Prospectus). The Group's primary uses of cash are to satisfy its working capital and capital expenditure needs. Cash and cash equivalents of the Group increased by approximately 151.9% from RMB395.0 million as of December 31, 2022 to RMB995.0 million as of December 31, 2023, primarily attributable to the Net Proceeds and cash from operations. During the Reporting Period, the Group did not use any financial instrument for hedging purpose and did not have any outstanding hedging instruments as of December 31, 2023.

Gearing ratio is calculated by total debt, comprising borrowings and lease liabilities, divided by total equity as of the same date and multiplied by 100%. The gearing ratio of the Group decreased from 97.3% as of December 31, 2022 to 42.6% as of December 31, 2023, primarily due to an increase in the total equity as a result of the Global Offering.

As of December 31, 2023, the Group had interest-bearing bank and other borrowings of RMB643.3 million (as of December 31, 2022: RMB656.6 million), representing 27.6% (as of December 31, 2022: 26.2%) of its total liabilities as of the same date. All of the borrowings of the Group are denominated in Renminbi. There is generally no seasonality of borrowing requirements of the Group. Of all the borrowings of the Group as of December 31, 2023, RMB166.0 million (as of December 31, 2022: RMB286.9 million) were repayable within one year and RMB477.3 million (as of December 31, 2022: RMB369.7 million) were repayable beyond one year. The Group's bank borrowings amounting to RMB279.8 million as of December 31, 2023 (as of December 31, 2022: RMB312.0 million) were borrowings with fixed interest rates.

As of December 31, 2023, banking facilities of the Group totaling RMB1,665.0 million (as of December 31, 2022: RMB1,575.0 million) were utilized to the extent of RMB921.6 million (as of December 31, 2022: RMB894.3 million).

Capital Expenditures

The Group's capital expenditures decreased by approximately 13.0% from RMB233.7 million in 2022 to RMB203.3 million in 2023. The Group's capital expenditures are primarily used for the expansion of its production capacities, including the construction of additional production facilities and the upgrading of its existing machinery and equipment. The Group finances its capital expenditures through cash generated from operations, bank loans and the Net Proceeds.

Foreign Exchange Risk and Hedging

The Group operates in the PRC with most of the transactions settled in RMB. 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 HKD.

As of the date of this announcement, the Group has not hedged its foreign currency exchange risks but has closely managed its foreign currency risk by performing regular reviews of its net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

Human Resources

As of December 31, 2023, the Group had 2,906 employees, as compared with 2,470 employees as of December 31, 2022. Total staff costs, including employee benefits expenses and outsourcing labor fee but excluding the Directors' remuneration, were RMB472.2 million in 2023, representing an increase of approximately 14.5% from RMB412.4 million in 2022, such increase was primarily due to (i) the increased headcount and pay rises as a result of the Group's expansion in production scale and increase in sales volume and (ii) the share-based payments made in relation to the grant of options under the Pre-IPO Share Scheme in 2023 and no share-based payments were made in 2022.

The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus, cash awards and share awards based on individual performance. The Group provides training periodically and across operational functions, including introductory training for new employees, technical training, product training, management training and work safety training, with a view to fostering the basic skills of new employees to perform their duties and improving the relevant skills of the existing employees as well.

For the purposes of (i) attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to qualified employees; (ii) aligning the interests of qualified employees with the Company and shareholders of the Company (the "**Shareholders**"); and (iii) encouraging qualified employees to contribute to the long-term growth, performance and profits of the Company and enhancing the value of the Company and its shares (the "**Shares**"), the Company adopted the Pre-IPO Share Scheme on July 20, 2023 and conditionally adopted the Post-IPO Share Scheme (as defined in the Prospectus) on August 21, 2023.

As of December 31, 2023, (i) share options to subscribe for an aggregate of 16,736,000 underlying Shares, representing approximately 3.92% of the total issued Shares as of December 31, 2023, were granted to 108 Eligible Participants (as defined in the Prospectus) and remained outstanding under the Pre-IPO Share Scheme; and (ii) no shares awards or share options had been granted or agreed to be granted under the Post-IPO Share Scheme. Further details of the Pre-IPO Share Scheme and Post-IPO Share Scheme are set out in the sections headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Scheme" and "Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Scheme" in Appendix IV to the Prospectus respectively.

Contingent liabilities

As of December 31, 2023, the Group did not have any material contingent liabilities.

Pledge of Assets

As of December 31, 2023, the property, plant and equipment and right-of-use assets of the Group with net book values of RMB495.6 million and RMB88.4 million (as of December 31, 2022: RMB478.7 million and RMB81.9 million) respectively were pledged as collateral for the Group's borrowings.

As of December 31, 2023, wealth management products and structured deposits and certificate of deposits of the Group in the amount of RMB447.4 million (as of December 31, 2022: RMB435.0 million) were pledged as security for the Group's notes payable.

As of December 31, 2023, 100% of the Group's equity interest in Guangxi Luyuan Electric Vehicle Co., Ltd., a wholly-owned subsidiary of the Company, and certain patents of the Group were pledged as security for the Group's bank borrowings.

Save as disclosed above, the Group had no other pledged assets as of December 31, 2023.

Significant Investment, Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

On October 25, 2023, Zhejiang Luyuan Electric Vehicle Co., Ltd. ("**Zhejiang Luyuan**"), a wholly-owned subsidiary of the Company, established Chongqing Luyuan Electric Vehicle Co., Ltd. ("**Chongqing Luyuan**") with registered capital of RMB200 million and owns 100% of its registered capital. Accordingly, Chongqing Luyuan is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacture of electric vehicles and accessories. The establishment of Chongqing Luyuan was the first step to facilitate the Group's future strategic development in Southwestern part of the PRC. For updates regarding Chongqing Luyuan after the end of the Reporting Period, please also refer to the section headed "Events after the Reporting Period" in this announcement.

Save as disclosed above, (i) the Group did not hold any significant investment during the Reporting Period, and (ii) the Group did not conduct any material acquisition or disposal of any subsidiaries, associates and joint ventures during the Reporting Period. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, there was no specific plan authorized by the Board for other material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on the Listing Date. The Net Proceeds amounted to approximately HKD706.4 million after deduction of the underwriting fees and commissions and other estimated expenses paid and payable by the Company in relation to the Global Offering. The following table sets forth the status of the use of the Net Proceeds[(1)]:

Intended use of Net Proceeds	Percentage of intended use of Net Proceeds *(%)*	Intended use of Net Proceeds from the initial public offering *(In HKD millions)*	Utilized Net Proceeds as of, December 31, 2023 *(In HKD millions)*	Unutilized Net Proceeds as of December 31, 2023 *(In HKD millions)*	Timeframe for the unused balance
Expand research and development capabilities to maintain the Group's technical edge	**30.0**	**211.9**	**27.8**	**184.1**	**By the end of 2025**
Research and development of new and upgraded products as well as technologies	24.0	169.5	6.7	162.8	By the end of 2024
Recruitment of additional research and development personnel	3.0	21.2	0.1	21.1	By the end of 2024
Other research and development costs, including purchasing and upgrading research and development equipment	3.0	21.2	21.0	0.2	By the end of 2025
Strengthen sales and distribution channels and raising brand awareness	**30.0**	**211.9**	**68.9**	**143.1**	**By the end of 2024**
Expand and optimize the Group's retail outlets in mainland China	18.0	127.2	29.8	97.4	By the end of 2024
Branding and marketing activities	9.0	63.6	37.1	26.5	By the end of 2024[(2)]
Enhance online channels and bring online traffic to the Group's physical retail outlets	1.5	10.6	2.0	8.6	By the end of 2024[(2)]
Expand the Group's sales in international markets	1.5	10.6	—	10.6	By the end of 2024[(2)]

Intended use of Net Proceeds	Percentage of intended use of Net Proceeds (%)	Intended use of Net Proceeds from the initial public offering *(In HKD millions)*	Utilized Net Proceeds as of, December 31, 2023 *(In HKD millions)*	Unutilized Net Proceeds as of December 31, 2023 *(In HKD millions)*	Timeframe for the unused balance
Strengthen the Group's production capabilities	**30.0**	**211.9**	**6.3**	**205.7**	**By the end of 2024**
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	12.0	84.8	—	84.8	By the end of 2024
Capacity expansion plan of the Group's Shandong Plant	9.0	63.6	3.7	59.9	By the end of 2024
Capacity expansion plan of the Group's Guangxi Plant	9.0	63.6	2.6	61.0	By the end of 2024
Working capital and other general corporate purposes	**10.0**	**70.6**	**45.4**	**25.2**	**By the end of March 2024[2]**
Total	**100.0**	**706.4**	**148.4**	**558.0**	**By the end of 2025**

Notes:

(1) The figures in the table are approximate figures.

(2) The Net Proceeds have been used according to the intentions previously disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus. However, as additional time was required to complete the necessary administrative procedures, the Company experienced delay in using part of the Net Proceeds. Unutilized Net Proceeds of approximately HKD25.2 million for working capital and other general corporate purposes as of December 31, 2023 had only been fully utilized by the end of March 2024 and it is expected that unutilized Net Proceeds of (i) approximately HKD26.5 million for branding and marketing activities; (ii) approximately HKD8.6 million for enhancing online channels and bringing online traffic to the Group's physical retail outlets; and (iii) approximately HKD10.6 million for expanding the Group's sales in international markets as of December 31, 2023 will be fully utilized by the end of 2024. The Directors considered that such delay in the utilization of the Net Proceeds will not have any material adverse impact on the operation of the Group.

The current expected timeframe for utilizing the remaining unused Net Proceeds in full are based on the best estimation by the Directors barring any unforeseen circumstances, and may be subject to change based on the Group's operating conditions and prevailing and future development of market conditions. The Directors will assess the plans for the use of the unutilized Net Proceeds on an ongoing basis and may revise or modify such plans where necessary to respond to the changing market conditions with a view to promoting a better growth and development of the Group. The Group will continue to evaluate the use of the unutilized Net Proceeds cautiously and monitor the market conditions closely to adjust the use of the unutilized Net Proceeds where necessary for the long-term development of the Group. The Company will make appropriate announcement(s) in due course in accordance with and if required under the Listing Rules should there be any material change in the intended use of the unutilized Net Proceeds.

As of the date of this announcement, save as disclosed in the table above, the Directors are not aware of any material change or delay to the planned use of the Net Proceeds. Further details of the breakdown of the use of the Net Proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, except for the Global Offering, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated January 26, 2024, the Board has resolved to establish a trust with a professional trustee (the "**Trustee**") for the Post-IPO Share Scheme and approve a share purchase plan, pursuant to which the Company will, subject to and in accordance with the rules of the Post-IPO Share Scheme, instruct and procure the Trustee to purchase existing Shares on-market for an aggregate consideration of not exceeding HKD100 million over the one-year period from April 12, 2024 to April 11, 2025. The Shares so purchased will be held on trust and used as awards for the eligible participants under the Post-IPO Share Scheme. As of the date of this announcement, the Trustee does not hold any Shares. Further details are set out in the announcement of the Company dated January 26, 2024.

As disclosed in the announcement of the Company dated March 1, 2024, Chongqing Luyuan has acquired state-owned construction land use rights for a parcel of land in Dazu District, Chongqing City, PRC for construction of the Chongqing Plant, a production facility. As of the date of this announcement, the construction of the Chongqing Plant has commenced. Further details are set out in the announcement of the Company dated March 1, 2024.

Save as disclosed above, the Group has no other material subsequent events since the end of the Reporting Period up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has also adopted certain recommended best practices as set out in the CG Code.

The Company has fully complied with the code provisions set out in the CG Code from the Listing Date up to the date of this announcement. For the purposes of complying with the CG Code and maintaining a high standard of corporate governance of the Company, the Board will continue to review and monitor the corporate governance status of the Company.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Board has also established written guidelines on terms no less exacting than the Model Code (the "**Guidelines**") for securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Guidelines by the Company's relevant employees has been noted since the Listing Date and to the date of this announcement after making reasonable enquiry.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**AGM**") will be held on June 26, 2024. A notice convening the AGM will be published and sent to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the Shareholders to attend and vote at the AGM, the Company's register of members will be closed from June 21, 2024 to June 26, 2024, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on June 20, 2024.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

As of the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Wu Xiaoya, Mr. Liu Bobin and Mr. Peng Haitao. Mr. Wu Xiaoya is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the Reporting Period of the Company. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statements of comprehensive income, consolidated balance sheet and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Company's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (https://www.luyuan.cn/). The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be sent to the Shareholders and made available for review on the same websites in due course.

By order of the Board
Luyuan Group Holding (Cayman) Limited
Mr. Ni Jie
Chairman and Executive Director

Hong Kong, March 28, 2024

As of the date of this announcement, the Board comprises Mr. Ni Jie, Ms. Hu Jihong and Mr. Chen Guosheng as executive Directors; and Mr. Wu Xiaoya, Mr. Peng Haitao, Mr. Liu Bobin and Mr. Chan Chi Fung Leo as independent non-executive Directors.

* *for identification purpose only*