You should read the following information in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements about events that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are an aluminum alloy automobile wheel manufacturer focusing on the aftermarket which is the market for parts and accessories used in the repair or maintenance of an automobile. We manufacture and sell different types of aluminum alloy automobile wheels to our customers. Our revenue generated from the sales of aluminum alloy automobile wheels accounted for approximately 97.2%, 97.8%, 97.5% and 97.9% of the total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. For the year ended December 31, 2021, our revenue from sales of aluminum alloy automobile wheels to the domestic and overseas markets represented approximately 32.1% and 67.9% of our total revenue derived from sales of aluminum alloy automobile wheels, respectively. For the year ended December 31, 2021, we sold over 1.1 million units of aluminum alloy automobile wheels to our customers, among which around 747,000 units were exported to our overseas markets. According to Frost & Sullivan, we accounted for market share of approximately 1.0% in the aluminum alloy automobile wheel export market in PRC in terms of exported value of aluminum alloy automobile wheel in 2021. Our revenue decreased from approximately RMB374.0 million for the year ended December 31, 2019 to approximately RMB362.2 million for the year ended December 31, 2020, primarily due to the COVID-19 pandemic which adversely affected some of our overseas market. Our revenue increased to approximately RMB440.4 million for the year ended December 31, 2021, indicating a strong recovery in our results of operations since the COVID-19 pandemic. Our revenue decreased from RMB159.5 million for the five months ended May 31, 2021 to RMB149.8 million for the five months ended May 31, 2022 primarily attributable to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, the delivery of our products to overseas markets due to the restrictions on transportation to the port area.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Government Policies and Trade Restrictions in Overseas Jurisdictions

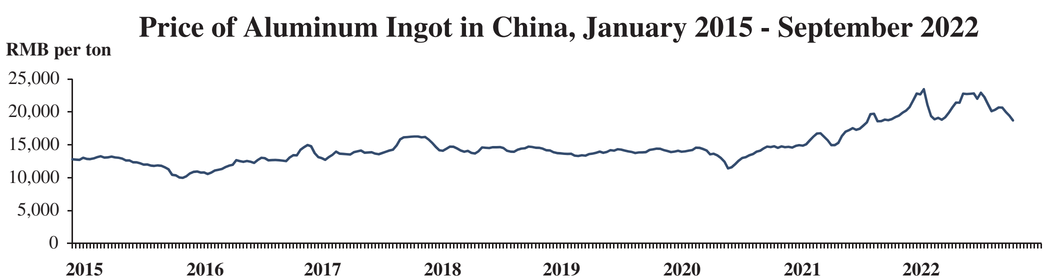
When we make sales to overseas markets, we are subject to various government policies and trade restriction in the corresponding jurisdictions. Protective measures imposed by foreign countries to regulate import and subsidize local businesses, such as anti-dumping, tariffs or quota fees, could affect the prices of our products sold in such countries and as a result weaken the competitiveness of our products.

The United States is our largest overseas single-country market during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue generated from the sales to the United States market were RMB39.1 million, RMB68.6 million, RMB86.2 million and RMB26.3 million, respectively, representing approximately 10.5%, 18.9%, 19.6% and 17.6% of our total revenue of the same periods, respectively. Following the start of the Sino-U.S. trade frictions in 2018, our sales to the United States were negatively affected. In response, we undertook certain mitigation measures. For more details, please refer to "Business — Sales and Distribution— Sales to the United States and impact of the China-United States trade frictions" in this prospectus.

The Cost of Raw Materials and Consumables Used

The largest component of our cost of sales was raw materials and consumables used, and in particular cost of aluminum alloy. The cost of aluminum alloy was RMB169.0 million, RMB160.6 million, RMB225.9 million and RMB78.0 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing 56.3%, 56.4%, 62.2% and 63.7% of the total cost of sales of the same periods.

During the Track Record Period, we procured all aluminum alloy we used for production in the PRC. The price of aluminum alloy ingot is highly correlated to the price of aluminum ingot. Therefore, the fluctuation of the price of aluminum ingot may have an impact on our gross profit margin. The price of aluminum ingot in the PRC experienced fluctuation during the Track Record Period. The diagram below illustrates change in the average prices of aluminum ingot in the PRC between January 2015 and September 2022:



Source: The National Bureau of Statistics

The table below lists out the average price of aluminum ingot in China in each quarter for the indicated periods:

	Average price of aluminum ingot (RMB per ton)			
	2019	2020	2021	2022
The first quarter	13,542.2	13,379.4	16,246.8	22,159.9
The second quarter	14,062.3	13,025.6	18,646.2	20,569.6
The third quarter	14,088.0	14,639.4	20,640.9	18,695.0
The fourth quarter	14,080.5	15,697.6	20,270.6	—

Source: The National Bureau of Statistics

The average monthly price of aluminum ingot in the PRC fluctuated significantly. In 2015, the market price of aluminum ingot dropped sharply primarily due to the oversupply of aluminum ingot after years of rapid development in the market. The oversupply of aluminum ingot was primarily due to the Chinese government's policy to increase the production capacity of aluminum ingot to achieve the goal of self-sufficiency by providing subsidies and tax cuts to support the development of the aluminum market. However, while China has remained self-sufficient for aluminum which helped facilitate the economic transformation, the Chinese government rolled out a supply-side reform in early 2016 with the aim of eliminating excess capacity of aluminum ingot. With gradual decline in the supply-side capacity, the price of aluminum ingot has recovered continuously and reached a peak at RMB16,255 per ton on October 10, 2017, but followed by a downward trend afterwards until the second quarter of 2020. The dramatic decline of aluminum ingot price in the first quarter of 2020 was mainly triggered by the unexpected outbreak of COVID-19 which reduced demand significantly.

Subsequent to the initial outbreak of the COVID-19 pandemic in the PRC, the price of aluminum ingot increased significantly since the second quarter of 2020. According to Frost & Sullivan, such increase was mainly due to (i) the recovery of business in the PRC as a result of relaxation of lock-down and isolation policies, prompting a surge in demand for aluminum ingot in various manufacturing industries; and (ii) the implementation of the carbon neutral policy by the PRC government in 2021 which deterred excess production of aluminum ingot in the PRC. As part of the PRC government's long-term goal of lowering carbon emissions, the recent implementation of the carbon neutral policy is expected to have a direct impact on the price of aluminum ingot as supply side manufacturers of aluminum products are restricted by the stringent emission standards which will prevent excessive production of aluminum ingot. However, our Directors confirm that we have not encountered any raw material, in particular aluminum alloy ingot, shortage during the Track Record Period and up to the Latest Practical Date due to the carbon neutral policy.

Moreover, as advised by our PRC Legal Advisors, there is currently no law of the PRC or policy targeting or directly restricting the carbon emission generated by our business operation of manufacturing aluminum alloy automobile wheels. According to Frost & Sullivan, as the production of automobile wheels only accounts for approximately 5% of the overall carbon emissions in the whole automobile production process, and the carbon emissions in production of automobile wheels are mainly generated in the process of production of aluminum ingots, our business of manufacturing wheels produce an insignificant percentage of carbon emission in the whole automobile production process. Based on the foregoing, after consulting our PRC Legal Advisors and Frost & Sullivan, our Directors are of the view that the impact of the carbon neutral policy implemented by the PRC government in 2021 does not have any material impact on the Group's business operation.

In the last two months of 2021, due to the excessive aluminum inventory level, the price experienced a short-term sharp decline. According to Frost & Sullivan, in early 2022, aluminum ingot price increased significantly after a short-term decrease in the fourth quarter of 2021, which can be attributable to several reasons from both the supply and demand side. On the supply side, in February and March 2022, COVID-19 broke out in Baise City, Guangxi Province, the PRC, which is one of the most important production cities of bauxite and aluminum ingot, and large-scale lockdown of Baise City directly impacted the aluminum ingot delivery capability and drove the price to grow. Additionally, the increasing energy price also increases the cost of aluminum ingot given that energy is the largest component of aluminum ingot production cost. On the demand side, the new energy vehicle, infrastructure and real estate sectors have been heating up since early 2022, driving the increase of demand for aluminum products, which jointly pushed up the price of aluminum ingot. From May to September 2022, the average price of aluminum ingot went into a downward trend, primarily attributable to the COVID-19 outbreaks in the PRC, including the two most developed cities Shanghai and Beijing. The outbreaks led to large-scale lockdown and severely impacted the economy including manufacturing industry, and demand for aluminum ingot decreased during the second and third quarter of 2022, which led to the drop of aluminum ingot price. It is expected that the price of aluminum ingot will be around RMB18,000 to RMB23,000 per ton in 2022. For more details of raw materials' prices, please refer to "Industry

Overview — Competitive Landscape of Aluminum Alloy Automobile Wheel Market in China — Price Trend of Major Raw Materials" in this prospectus.

Aluminum ingot prices in the PRC are affected by many factors, including supply and demand, electricity price, policies and regulations, taxes and tariffs and technology.

Expansion of Our Sales in Overseas Market

Our top five customers in terms of revenue in each of the three years ended December 31, 2021 and the five months ended May 31, 2022 were wholesale traders and after-sales retailers in the aftermarket. Expansion of our sales in overseas market contributed to the increase in our revenue during the Track Record Period.

During the Track Record Period, we made consistent effort to expand our sales in overseas market. We generated revenue of approximately RMB279.7 million, RMB263.0 million, RMB291.8 million and RMB90.2 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, from sales to overseas markets. For more details of our sales in overseas market, please refer to "Business — Sales and Marketing" in this prospectus.

Development of the Automobile Industry

Our aluminum alloy automobile wheels are used on tires for automobiles. As such, our results of operations are indirectly affected by the development of the automobile industry. In particular, during the Track Record Period, our customers were mainly wholesale traders and after-sales retailer in the aftermarket.

Affected by the general economic condition, the global automobile production decreased from 90.9 million units in 2019 to 76.3 million unit in 2020, according to Frost & Sullivan. In 2021, as quarantine measures begin to ease, the global automobile production resumed and increased to 79.1 million units. Going forward, it is expected that the COVID-19 will be effectively controlled due to promotion of vaccination globally or the realization of herd immunity. Market demand for automobiles will also recover and it is expected that the total production volume globally will maintain the recovery trend from 2022 to 2026 and will reach 97.6 million units in 2026, representing a CAGR of 4.3% from 2021 to 2026.

The PRC's vehicle production assumed a similar trend, decreased from 25.7 million units in 2019 to 25.2 million units in 2020 and increased to 26.1 million units in 2021, according to Frost & Sullivan. Going forward, driven by the continuous growth of macro economy and urbanization process, recovery of automobile industry will regain its growth momentum and total production volume will reach 30.4 million units in 2026, representing a CAGR of 3.1%.

Foreign Currency Exchange Rates

We are exposed to currency risk primarily through sales and borrowings which give rise to trade and other receivables, cash and cash equivalents, pledged deposits, trade and other payables and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Euros, and Swiss Franc. We generated revenue of RMB279.7 million, RMB263.0 million, RMB291.8 million and RMB90.2 million for the years ended

December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively from sales to overseas markets, which accounted for 74.8%, 72.6%, 66.2% and 60.2% of our total revenue in the same periods.

We recognized a net exchange gain of RMB1.1 million in 2019, mainly due to (i) a net gain of RMB0.5 million arising from translation of our trade receivables, cash at bank and bank loans denominated in U.S. dollar into RMB as a result of the appreciation of U.S. dollar against RMB; and (ii) a gain of RMB2.3 million arising from the translation of the payable for deemed distribution arising from Reorganization in Buyang HK denominated in RMB to HKD as a result of the appreciation of HKD against RMB as our functional currency of Buyang HK is HKD. Such exchange gain was partially offset by a loss of RMB1.5 million arising from translation of our cash at bank denominated in Swiss franc into RMB as a result of the depreciation of Swiss franc against RMB. We recognized a net exchange loss of RMB4.7 million and RMB2.4 million in 2020 and 2021, mainly arising from translation of our trade receivables and cash and cash equivalents denominated in U.S. dollar into RMB as a result of the depreciation of U.S. dollar against RMB. We recognized a net exchange gain of RMB3.2 million for the five months ended May 31, 2022, mainly arising from translation of our trade receivables and cash at bank denominated in U.S. dollar into RMB as a result of the appreciation of U.S. dollar against RMB.

For the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, we recognized a loss of RMB2.3 million, RMB2.2 million, a gain of RMB22,000 and a loss of RMB32,000, respectively, in our other comprehensive income, respectively, mainly due to the translation of financial statements of entities with HKD functional currency. During the Track Record Period, such translation gains and losses were mainly due to the translation of HKD to RMB. For more details, please refer to "Risk Factors — Risk Relating to Doing Business in the PRC — Our business and ability to remit payments and distribute dividends are subject to fluctuations in the exchange rates of Renminbi and governmental control of currency conversion" in this prospectus.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 had changed at that date, assuming all other risk variables remained constant.

	At December 31,						At May 31,	
	2019		2020		2021		2022	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
USD	5%	1,773	5%	3,321	5%	2,675	5%	2,775
	(5%)	(1,773)	(5%)	(3,321)	(5%)	(2,675)	(5%)	(2,775)
EUR	5%	54	5%	—	5%	—	5%	—
	(5%)	(54)	(5%)	—	(5%)	—	(5%)	—
CHF	5%	1	5%	—	5%	—	5%	—
	(5%)	(1)	(5%)	—	(5%)	—	(5%)	—
RMB	5%	(4,340)	5%	—	5%	—	5%	—
	(5%)	4,340	(5%)	—	(5%)	—	(5%)	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at December 31, 2019, 2020 and 2021 and May 31, 2022, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB.

CRITICAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGMENT

We have identified certain accounting policies and estimates significant to the preparation of the consolidated financial information in accordance with HKFRSs. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies in Note 2, which are important for an understanding of our financial condition and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items, which are discussed in Note 3 of the Accountants' Report in Appendix I to this prospectus. Our estimates are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgments are most critical to the preparation of our financial information.

Revenue recognition

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

Impairment of trade receivables

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labor and appropriate share of overheads based on normal operating capacity.

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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life
Machinery equipment	3 – 10 years
Electronic and other equipment	5 years
Motor vehicle	5 years
Molds	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each of the year/period end of the Track Record Period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income items for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Revenue	**374,041**	**362,153**	**440,356**	**159,502**	**149,807**
Cost of sales	(300,314)	(284,570)	(363,187)	(132,450)	(122,328)
Gross profit	**73,727**	**77,583**	**77,169**	**27,052**	**27,479**
Other revenue	2,106	2,565	937	123	98
Other net gain/(loss)	4,021	(4,487)	(2,554)	(2,435)	3,160
Selling and distribution expenses	(9,565)	(8,257)	(10,208)	(4,223)	(2,967)
Administrative and other operating expenses	(7,666)	(22,223)	(15,549)	(7,257)	(5,873)
Profit from operations	**62,623**	**45,181**	**49,795**	**13,260**	**21,897**
Finance income	681	2,071	2,097	1,191	620
Finance costs	(2,591)	(1,512)	(1,569)	(992)	(664)
Net finance (costs)/income	**(1,910)**	**559**	**528**	**199**	**(44)**
Profit before taxation	**60,713**	**45,740**	**50,323**	**13,459**	**21,853**
Income tax	(14,617)	(11,034)	(12,660)	(3,420)	(5,471)
Profit for the year/period	**46,096**	**34,706**	**37,663**	**10,039**	**16,382**

Non-HKFRS measures

We recognized listing expenses during the Track Record Period and therefore we also present the adjusted profit for the year/period, which is a non-HKFRS measure, to supplement our consolidated financial information which are presented in accordance with HKFRS. We define "adjusted profit for the year/period" (non-HKFRS measure) as profit for the year/period adjusted by adding back Listing expenses. The adjustment has been consistently made during the Track Record Period, which complies with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange.

We present such additional financial measure as it was used by our management to evaluate our financial performance by eliminating the impact of listing expenses, which are expenses related to the Global Offering. Our Directors believe that such non-HKFRS measure provides additional information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods. However, our presentation of such non-HKFRS measure may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRS.

The following table sets forth our adjusted profit for each respective year/period (non-HKFRS measure) during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	46,096	34,706	37,663	10,039	16,382
Add: Listing expenses	4,216	14,415	6,757	2,951	1,533
Adjusted profit for the year/period (non-HKFRS measure)	**50,312**	**49,121**	**44,420**	**12,990**	**17,915**

DESCRIPTION OF KEY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME LINE ITEMS

Revenue

The following table sets forth our revenue by products for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Aluminum alloy automobile wheels	363,456	97.2	354,209	97.8	429,458	97.5	156,252	98.0	146,617	97.9
Others	10,585	2.8	7,944	2.2	10,898	2.5	3,250	2.0	3,190	2.1
Total	374,041	100.0	362,153	100.0	440,356	100.0	159,502	100.0	149,807	100.0

During the Track Record Period, our revenue decreased from RMB374.0 million in 2019 to RMB362.2 million in 2020. Our revenue increased from RMB362.2 million in 2020 to RMB440.4 million in 2021. Our revenue decreased from RMB159.5 million for the five months ended May 31, 2021 to RMB149.8

million for the five months ended May 31, 2022. We generated substantially all our revenue from sales of aluminum alloy automobile wheel, which accounted for 97.2%, 97.8%, 97.5% and 97.9% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we sold over 1.2 million, 1.0 million, 1.1 million, and 0.3 million units of aluminum alloy automobile wheel with an average price per unit of RMB298, RMB339, RMB377 and RMB431, respectively. We generated the remaining portion of revenue from sales of others.

Sales of aluminum alloy automobile wheel by size

The following table sets forth our revenue by size of aluminum alloy automobile wheel, in absolute amount and as a percentage of total revenue from sales of aluminum alloy automobile wheel, for the periods indicated.

	Year ended December 31,						**Five months ended May 31,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
							(unaudited)			
Small	92,925	25.6	56,749	16.0	56,150	13.1	22,863	14.6	15,893	10.8
Medium	236,519	65.1	253,765	71.7	315,917	73.5	115,149	73.7	111,246	75.9
Large	34,012	9.3	43,695	12.3	57,391	13.4	18,240	11.7	19,478	13.3
Total revenue from sales of aluminum alloy automobile wheel	363,456	100.0	354,209	100.0	429,458	100.0	156,252	100.0	146,617	100.0

The majority of our revenue from sales of aluminum alloy automobile wheel was derived from the sales of medium-sized wheels, which accounted for 65.1%, 71.7%, 73.5%, 73.7% and 75.9% of the revenue from sales of aluminum alloy automobile wheel for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Between 2019 and 2021, the proportion of medium-sized and large-sized wheels we sold increased primarily as a result of the increase in sales to the Americas, in particular the United States and Canada, both of which primarily procured medium-sized and large-sized wheels. According to Frost & Sullivan, the United States and Canada are major markets for medium and large-sized aluminum alloy automobile wheels as full-size SUV and pickup trucks which generally utilize medium and large-sized wheels are highly popular in the region and account for a significant proportion of vehicle sales. Conversely, the proportion of small-sized wheels we sold decreased during the Track Record Period as the demand for small-sized wheels diminished particularly in our Japan and UAE market. According to Frost & Sullivan, the decrease in demand for small-sized wheels in Japan market was mainly attributable to the adverse impact of COVID-19 pandemic as it caused the decrease in the production volume of compact car models in Japan which mainly use small-sized wheels. Meanwhile, the decrease in demand for small-sized wheels in the UAE market was partly attributable to a shift in customers' preference for medium and large-sized wheels as the proportion of luxury vehicles and full-size SUV which utilizes wheels with larger dimensions become increasingly popular.

Sales by geographic market

The following table sets forth our revenue by continent of delivery for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
							(unaudited)			
Asia	206,739	55.2	171,252	47.3	206,921	47.0	73,459	46.1	84,981	56.7
America	82,906	22.2	115,786	32.0	145,643	33.1	47,252	29.6	40,606	27.1
Europe	68,260	18.2	56,303	15.5	76,710	17.4	33,525	21.0	21,151	14.1
Africa	15,920	4.3	16,271	4.5	8,926	2.0	4,396	2.8	2,184	1.5
Oceania	216	0.1	2,541	0.7	2,156	0.5	870	0.5	885	0.6
Total	**374,041**	**100.0**	**362,153**	**100.0**	**440,356**	**100.0**	**159,502**	**100.0**	**149,807**	**100.0**

The following table sets forth our revenue by country of delivery for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
							(unaudited)			
The PRC	94,326	25.2	99,228	27.4	148,629	33.8	48,419	30.4	59,629	39.8
Japan	47,289	12.6	20,630	5.7	12,997	2.9	8,686	5.5	3,843	2.6
The United States	39,122	10.5	68,578	18.9	86,201	19.6	27,766	17.4	26,330	17.6
Lithuania	31,033	8.3	33,238	9.2	50,215	11.4	21,910	13.7	12,426	8.3
United Arab Emirates	24,565	6.6	13,731	3.8	19,730	4.5	8,601	5.4	8,541	5.7
Canada	22,812	6.1	33,505	9.3	40,091	9.1	12,320	7.7	7,963	5.3
Nigeria	10,131	2.7	11,115	3.1	6,684	1.5	3,544	2.2	1,741	1.2
Latvia	7,773	2.1	2,100	0.5	1,540	0.4	1,540	1.0	—[1]	—[1]
Morocco	4,452	1.2	2,355	0.6	635	0.1	635	0.4	—[1]	—[1]
Yemen	4,450	1.2	5,034	1.4	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]
United Kingdom	4,352	1.2	6,788	1.9	3,347	0.8	1,710	1.1	2,414	1.6
Dominica	3,767	1.0	4,565	1.2	5,786	1.3	2,801	1.7	4,417	2.9
Israel	3,752	1.0	4,995	1.4	4,629	1.1	2,028	1.3	376	0.2
Thailand	2,780	0.7	4,073	1.1	6,335	1.4	1,717	1.1	3,863	2.6
Syria[3]	352	0.1	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]
Russia	239	0.1	2,383	0.7	6,756	1.5	1,674	1.0	1,892	1.3
Iran[3]	140	*[2]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]
Crimea[3]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]	—[1]
Others	72,706	19.4	49,835	13.8	46,781	10.6	16,151	10.1	16,372	10.9
Total	**374,041**	**100.0**	**362,153**	**100.0**	**440,356**	**100.0**	**159,502**	**100.0**	**149,807**	**100.0**

Note:

(1) "—" represents that there is no revenue generated from the geographical market (by country of delivery) in the respective period.

(2) "*" represents figure that is less than 0.1.

(3) The table above sets forth our revenue by country of delivery only. For our revenue derived from the sales and/or deliveries to Syria, Iran and Crimea, it amounted to approximately RMB2,137,000, RMB1,843,000 and RMB668,000, respectively, for the year ended December

31, 2019. Our revenue derived from the sales and/or deliveries to Syria, Iran and Crimea amounted to approximately RMB328,000, nil and nil, respectively, for the year ended December 31, 2020. We did not derive revenue from sales and/or deliveries from Syria, Iran and Crimea in the year ended December 31, 2021 and the five months ended May 31, 2022. For more details, please refer to the paragraph headed ''Business — Business activities relating to Sanctioned Countries'' in this prospectus.

We have devoted significant efforts in developing our customer base. During the Track Record Period, we generated the majority of our revenue from the overseas markets. Revenue from sales to the overseas market accounted for 74.8%, 72.6%, 66.2%, 69.6% and 60.2% of the total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Revenue from sales to the overseas market decreased from RMB279.7 million in 2019 to RMB263.0 million in 2020. Our sales to the overseas market increased significantly to RMB291.8 million in 2021. Our sales to the overseas market decreased from RMB111.1 million in the five months ended May 31, 2021 to RMB90.2 million in the five months ended May 31, 2022. In particular:

- Our revenue generated from Asia decreased from RMB206.7 million in 2019 to RMB171.3 million in 2020 mainly attributable to decrease in our sales to Japan and the UAE. Our revenue generated from Asia increased to RMB206.9 million in 2021 and from RMB73.5 million in the five months ended May 31, 2021 to RMB85.0 million in the five months ended May 31, 2022, mainly attributable to the increase in our sales to the PRC.

  Among countries located in Asia, we derived a substantial proportion of revenue from the PRC, which accounted for 45.6%, 57.9%, 71.8% and 70.2% of our revenue generated from Asia for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

- Our revenue generated from Europe decreased from RMB68.3 million in 2019 to RMB56.3 million in 2020 mainly attributable to the decrease in our sales to Latvia, Italy and Poland, which our Directors believe was attributable to the temporary disruption to our customer's business as a result of the COVID-19 pandemic. Our revenue generated from Europe increased significantly to RMB76.7 million in 2021, which our Directors believe is primarily as a result of our customers' business operations gradually recovering from the adverse impact caused by the COVID-19 pandemic. Our revenue generated from Europe decreased from RMB33.5 million in the five months ended May 31, 2021 to RMB21.2 million in the five months ended May 31, 2022, primarily due to the impacts on our business operation brought by the regional outbreaks of COVID-19 in PRC in early 2022, in particular, delay in delivery of our products to overseas markets due to the restrictions on transportation to the port area.

  Among countries located in Europe, we derived a substantial proportion of revenue from Lithuania, which accounted for 45.5%, 59.0%, 65.5% and 58.7% of our revenue generated from Europe for 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

- Our revenue generated from the Americas increased from RMB82.9 million in 2019 to RMB115.8 million in 2020 mainly attributable to increase in our sales to the United States and Canada. Our revenue generated from the Americas increased to RMB145.6 million in 2021 due to increase in our sales to the United States. Our revenue generated from the Americas decreased from RMB47.3 million in the five months ended May 31, 2021 to RMB40.6 million in the five months ended May 31, 2022 primarily attributable to the regional outbreaks of COVID-19 in PRC in early 2022 which caused delay in delivery of our products to overseas markets due to the restrictions on transportation to the port area.

Among countries located in the Americas, we derived substantial proportion of revenue from the United States, which accounted for 47.2%, 59.2%, 59.2% and 64.8% of our revenue generated from the Americas for 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The increase in our sales to the United States in 2020 was primarily attributable to the increase in our sales to several of our major customers in the United States, in particular BSA Group and Siborui Group. Based on our communication with BSA Group and Siborui Group, the demand for aluminum alloy automobile wheels increased in the downstream market as they expanded their geographical coverage by cooperating with new distributors in several states to increase their distribution channels. According to Frost & Sullivan, the sales volume of aluminum alloy automobile wheels in the aftermarket segment in the United States was not materially affected by the COVID-19 pandemic and only decreased slightly by 1.3% in 2020. The sales volume of aluminum alloy automobile wheel still maintained at a high level as the production activities in the United States displayed strong recovery in the second half of 2020 which drove the overall market demand for aluminum alloy automobile wheels. According to Frost & Sullivan, the strong recovery in the United States is partly attributable to the relief measures adopted in the United States in response to the COVID-19 pandemic including a new set of quantitative easing measures in March 2020 announced by the Federal Reserve System which provided a stimulus on public spending including a direct positive impact on the aftermarket automobile segment. As at the Latest Practicable Date, various provinces in the United States continued to adopt stimulus policies to encourage the usage of automobile. Furthermore, despite the emergence of the COVID-19 pandemic, many areas in the United States generally did not implement a stringent lock-down and isolation policy and individuals generally preferred utilizing private vehicles instead of public transportation as a means of travel in order to minimize the risk of exposure to the public. Consequently, the automobile aftermarket segment in the United States was not materially affected and our revenue generated from sales to the United States increased in 2020 notwithstanding the negative impact of the COVID-19 pandemic. During the five months ended May 31, 2022, despite the regional outbreaks of COVID-19 in the PRC in early 2022, our revenue generated from the United States remained relatively stable at RMB27.8 million in the five months ended May 31, 2021 and RMB26.3 million in the five months ended May 31, 2022.

- Our revenue generated from Africa remained stable at RMB15.9 million and RMB16.3 million in 2019 and 2020, respectively. Our revenue generated from Africa decreased to RMB8.9 million in 2021 as a result of suspension of the Third-Party Payment Arrangement which affected some of our customers in Nigeria. Our revenue generated from Africa decreased from RMB4.4 million in the five months ended May 31, 2021 to RMB2.2 million in the five months ended May 31, 2022 because one of our major customers changed its target market from Africa to Asia and America.

Among countries located in Africa, we derived substantial proportion of revenue from Nigeria, which accounted for 63.6%, 68.3%, 74.9% and 79.7% of our revenue generated from Africa for 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

Sales volume of aluminum alloy automobile wheel

The following table sets forth our sales volume by product size of aluminum alloy automobile wheel for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	unit	%	unit	%	unit	%	unit	%	unit	%
Small	515,003	42.3	300,134	28.7	258,742	22.7	114,655	25.2	63,279	18.6
Medium	644,253	52.9	671,406	64.2	786,731	69.0	307,468	67.6	248,058	72.9
Large	59,256	4.8	73,672	7.1	94,395	8.3	32,481	7.2	28,863	8.5
Total	**1,218,512**	**100.0**	**1,045,212**	**100.0**	**1,139,868**	**100.0**	**454,604**	**100.0**	**340,200**	**100.0**

Sales volume of our small aluminum alloy automobile wheels decreased from approximately 515,000 units in 2019 to approximately 300,000 units in 2020 and approximately 258,000 units in 2021, mainly due to a decrease in our sales of small aluminum alloy automobile wheels to Treasure One Company Co Ltd, who was our major customer of small aluminum alloy automobile wheels in 2019, as a result of the adverse impact caused by the COVID-19 pandemic.

Sales volume of our medium aluminum alloy automobile wheels increased slightly from 2019 to 2020.

Sales volume of our large aluminum alloy automobile wheels increased from approximately 59,000 units in 2019 to approximately 73,000 units in 2020, primarily attributable to an increase in our sales of large aluminum alloy automobile wheels to BSA Group and Siborui Group in the United States. Based on our communication with BSA Group and Siborui Group, the demand for aluminum alloy automobile wheels increased in the downstream market as they expanded their geographical coverage by cooperating with new distributors in several states to increase their distribution channels.

Sales volume of our medium and large aluminum alloy automobile wheels recorded an increase of approximately 17.2% and 28.1% from 2020 to 2021, primarily attributable to an increase in our sales of medium and large aluminum alloy automobile wheels to UAB Group in Lithuania and 168406 Canada Inc in Canada. Based on our communication with UAB Group and 168406 Canada Inc, their demand for our aluminum alloy automobile wheels increased because (i) their sales increased; and (ii) other suppliers in the PRC were unable to meet their demand.

For the five months ended May 31, 2021 and 2022, the sales volume of our small, medium and large aluminum alloy automobile wheels recorded a period-to-period decrease of approximately 44.8%, 19.3% and 11.1% respectively, mainly due to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, the delivery of our products to overseas markets. The decrease of the sales volume of our small aluminum alloy automobile wheels was also attributable to our Group's overall strategy to focus more on market for medium-sized and large-sized aluminum alloy automobile wheels which have higher gross profit margins than small-sized wheels under limited production capacity.

Average sales price of aluminum alloy automobile wheel

The following table sets forth the average sales prices by product size, calculated by dividing revenue by sales volume of the specific product size, for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
Small	180	189	217	199	251
Medium	367	378	402	375	448
Large	574	593	608	562	675
Average sales price of aluminum alloy automobile wheel	**298**	**339**	**377**	**344**	**431**

The average sales price of our small aluminum alloy automobile wheels remained relatively stable during 2019 and 2020. The average sales price of our small aluminum alloy automobile wheels increased from RMB189 in 2020 to RMB217 in 2021 and from RMB199 in the five months ended May 31, 2021 to RMB251 in the five months ended May 31, 2022 as we generally adjusted our pricing in response to the increase in cost of aluminum alloy ingot, our main raw material.

The average sales price of our medium aluminum alloy automobile wheels remained relatively stable during 2019 and 2020. The average sales price of our medium aluminum alloy automobile wheels increased from RMB378 in 2020 to RMB402 in 2021 and from RMB375 in the five months ended May 31, 2021 to RMB448 in the five months ended May 31, 2022 as we generally adjusted our pricing in response to the increase in cost of aluminum alloy ingot, our main raw material.

The average sales price of our large aluminum alloy automobile wheels increased from RMB593 in 2020 to RMB608 in 2021 and from RMB562 in the five months ended May 31, 2021 to RMB675 in the five months ended May 31, 2022 as we generally adjusted our pricing in response to the increase in cost of aluminum alloy ingot, our main raw material.

Prices of our products were generally set through arm's length negotiation with our customers based on our internal reference prices which are set based primarily on comparable market prices and other factors such as the prices of raw materials and consumables used, market condition, supply and demand of comparable products. The final sales price should not be lower than the reference price unless it is approved by our general manager.

The average sales price of our products increased from RMB298 per unit in 2019 to RMB339 per unit in 2020 primarily due to (i) the increase in the average purchase cost of aluminum alloy ingot, our principal raw material; and (ii) the sales volume of medium-sized and large-sized aluminum alloy automobile wheels increased whereas the sales volume of small-sized aluminum alloy automobile wheels decreased significantly. The average sales price of our products increased to RMB377 in 2021 and from RMB344 in the five months ended May 31, 2021 to RMB431 in the five months ended May 31, 2022 as we adjusted the pricing of our products to reflect the increase in cost of aluminum alloy ingot, our main raw material.

Cost of Sales

Our cost of sales was RMB300.3 million, RMB284.6 million. RMB363.2 million and RMB122.3 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Our cost of sales decreased by 5.2% from RMB300.3 million in 2019 to RMB284.6 million in 2020. Our cost of sales increased by 27.6% to RMB363.2 million in 2021. Our cost of sales decreased by 7.6% from RMB132.5 million for the five months ended May 31, 2021 to RMB122.3 million for the five months ended May 31, 2022.

Cost of sales by nature

The following table sets forth the main components of our cost of sales for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Raw materials and consumables used	215,807	71.9	207,326	72.9	273,694	75.4	98,099	74.1	91,333	74.7
Staff costs	43,244	14.4	37,996	13.3	44,580	12.3	17,092	12.9	13,644	11.2
Fuel expenses and utilities	23,051	7.7	18,274	6.4	18,966	5.2	7,532	5.7	6,800	5.5
Depreciation	12,032	4.0	13,558	4.8	15,554	4.3	6,050	4.5	6,648	5.4
Others(1)	6,180	2.0	7,416	2.6	10,393	2.8	3,677	2.8	3,903	3.2
Total	**300,314**	**100.0**	**284,570**	**100.0**	**363,187**	**100.0**	**132,450**	**100.0**	**122,328**	**100.0**

Note:

(1) Primarily included outsourcing expenses, taxes and surcharges.

Cost of raw materials and consumables used

Cost of raw materials and consumables used was the largest component of our cost of sales, representing 71.9%, 72.9%, 75.4%, 74.1% and 74.7% of the total cost of sales for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. The principal raw materials and consumables used in our production is aluminum alloy. The following table sets forth the breakdown of our cost of raw materials and consumables used and the percentages to total cost of raw materials and consumables used for the periods indicated.

	Year ended December 31,						**Five months ended May 31,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
							(unaudited)			
Aluminum alloy	168,984	78.3	160,584	77.5	225,853	82.5	78,703	80.2	77,980	85.4
Packaging materials	10,723	5.0	11,423	5.5	12,580	4.6	4,903	5.0	3,540	3.9
Axillary materials	9,092	4.2	9,371	4.5	9,881	3.6	3,921	4.0	2,692	2.9
Product accessories	8,485	3.9	8,594	4.1	8,660	3.2	3,413	3.5	2,472	2.7
Paint	8,131	3.8	7,921	3.8	7,303	2.7	3,117	3.2	2,018	2.2
Consumable used	1,317	0.6	1,214	0.6	1,176	0.4	558	0.6	330	0.4
Others	9,075	4.2	8,219	4.0	8,241	3.0	3,484	3.5	2,301	2.5
Total	**215,807**	**100.0**	**207,326**	**100.0**	**273,694**	**100.0**	**98,099**	**100.0**	**91,333**	**100.0**

The cost of aluminum alloy constituted the majority of our cost of raw materials and consumables used, representing 78.3%, 77.5%, 82.5%, 80.2% and 85.4% of our total cost of raw materials and consumables used for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. During the Track Record Period, our cost of raw materials and consumables used was mainly affected by the volume we consumed and the unit price of such raw materials and consumables used. The volume consumed was determined by our planned production, which in turn was affected by our sales volume, as we generally assess our planned production based on the purchase orders we received in a given period. In 2021, our cost of aluminum alloy increased significantly to RMB225.9 million due to the adverse impact of the increase of the price of aluminum ingot. For more details of the price of aluminum alloy and its fluctuations during the Track Record Period, please refer to "Industry Overview — Competitive Landscape of Aluminum Alloy Automobile Wheel Market in China — Price Trend of Major Raw Materials" in this prospectus.

The sensitivity analysis below illustrates the impact of hypothetical fluctuations in our cost of aluminum alloy used and staff costs incurred on our profit before taxation during the Track Record Period, assuming all other variables remain constant. The hypothetical fluctuation rate for the cost of aluminum alloy used is set at 10%, 20% and 30%, while that for the staff costs is set at 5%, 10% and 15% during the Track Record Period. These hypothetical fluctuation rates are determined with reference to the historical year-to-year fluctuation of the cost of aluminum alloy used per unit sold and staff costs per unit sold incurred during the Track Record Period, respectively.

Hypothetical fluctuation in cost of aluminum alloy used	**+/- 10%**	**+/- 20%**	**+/- 30%**
	RMB'000	**RMB'000**	**RMB'000**
Change in profit before taxation for			
The year ended December 31, 2019	16,898	33,797	50,695
The year ended December 31, 2020	16,058	32,117	48,175
The year ended December 31, 2021	22,585	45,171	67,756
Five months ended May 31, 2022	7,798	15,596	23,394

Hypothetical fluctuation in staff costs incurred	**+/- 5%**	**+/- 10%**	**+/- 15%**
	RMB'000	**RMB'000**	**RMB'000**
Change in profit before taxation for			
The year ended December 31, 2019	2,162	4,324	6,487
The year ended December 31, 2020	1,900	3,800	5,699
The year ended December 31, 2021	2,229	4,458	6,687
Five months ended May 31, 2022	682	1,364	2,047

Cost of sales by product type

The following table sets forth our cost of sales by the product type for the periods indicated.

	Year ended December 31,						**Five months ended May 31,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
							(unaudited)			
Aluminum alloy automobile wheel	289,548	96.4	277,903	97.7	353,200	97.3	129,662	97.9	119,560	97.7
Others	10,766	3.6	6,667	2.3	9,987	2.7	2,788	2.1	2,768	2.3
Total	**300,314**	**100.0**	**284,570**	**100.0**	**363,187**	**100.0**	**132,450**	**100.0**	**122,328**	**100.0**

Cost of sales of aluminum alloy automobile wheel by product size

The following table sets forth our cost of sales by the product size of aluminum alloy automobile wheel for the periods indicated.

	Year ended December 31,						**Five months ended May 31,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
							(unaudited)			
Small	81,626	28.2	49,892	18.0	48,529	13.7	20,111	15.5	13,247	11.1
Medium	183,275	63.3	196,711	70.8	259,341	73.5	95,171	73.4	91,031	76.1
Large	24,647	8.5	31,300	11.2	45,330	12.8	14,380	11.1	15,282	12.8
Total	**289,548**	**100.0**	**277,903**	**100.0**	**353,200**	**100.0**	**129,662**	**100.0**	**119,560**	**100.0**

Gross profit and gross profit margin

The following table sets forth our gross profits and gross profit margins, for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
				(unaudited)	
Gross profit (RMB'000)	73,727	77,583	77,169	27,052	27,479
Gross profit margin	19.7%	21.4%	17.5%	17.0%	18.3%

During the Track Record Period, our gross profit increased by 5.2% from RMB73.7 million in 2019 to RMB77.6 million in 2020. Our gross profit remained stable at RMB77.2 million in 2021. Our gross profit increased by 1.6% from RMB27.1 million for the five months ended May 31, 2021 to RMB27.5 million for the five months ended May 31, 2022. Our gross profit margin increased from 19.7% in 2019 to 21.4% in 2020. Our gross profit margin decreased to 17.5% in 2021. Our gross profit margin increased from 17.0% for the five months ended May 31, 2021 to 18.3% for the five months ended May 31, 2022.

During the Track Record Period, our gross profit and gross profit margin was affected by, among other factors, the price of aluminum alloy ingot and fluctuations in foreign currency rate. Aluminum alloy ingot is the main raw material used in our production and represents 56.3%, 56.4%, 62.2%, 59.4% and 63.7% of the total cost of sales for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022. Fluctuations in the price of aluminum alloy ingot may affect our procurement cost for aluminum alloy used in the production of our aluminum alloy automobile wheels and therefore affect the cost of sales and our gross profit margin. According to Frost & Sullivan, the price of aluminum alloy ingot is highly correlated to the price of aluminum ingot. As a result, fluctuations in the price of aluminum ingot has historically affected the pricing of our products and our results of operation.

Between 2019 and 2020, our gross profit margin increased slightly from 19.7% to 21.4% and was not materially affected by the fluctuations in the price of aluminum ingot in 2020 as we sold a higher proportion of medium-sized and large-sized aluminum alloy automobile wheels in 2020, which has higher gross profit margin than our small-sized wheels.

We experienced an increase in the price of aluminum ingot starting from the fourth quarter of 2020 which lead to an increase in the average procurement cost of aluminum alloy ingot. According to Frost & Sullivan, the price of aluminum ingot increased from RMB15,697.6 per ton in the fourth quarter of 2020 to RMB20,270.6 per ton in the fourth quarter of 2021, further to RMB22,159.9 per ton in the first quarter of 2022. The average price of aluminum ingot went into a downward trend in May and June 2022. It is expected that the price of aluminum ingot will be around RMB18,000 to RMB23,000 per ton in 2022. We may not always be able to pass on the increase in cost of raw materials to our customers as a time gap generally exists between the point when the sales price is determined with the customer and the point when the products are produced. Accordingly, we experienced a drop in gross profit margin from 21.4% in 2020 to 17.5% in 2021 as the price of aluminum alloy ingot increased significantly since the purchase order was placed. In view of the impact caused, we have put in place measures to mitigate the risks associated with the increase in the costs of raw materials. For more details, please refer to "Business — Raw Materials — Procurement of raw materials" in this prospectus.

Our gross profit margin increased slightly from 17.0% in the five months ended May 31, 2021 to 18.3% in the five months ended May 31, 2022, despite the increase of the price of aluminum ingot, primarily due to (i) our effective transfer of increase in cost of raw materials to our customers for the five months ended May 31, 2022; and (ii) the increase in sales proportion of our medium-sized and large-sized aluminum alloy automobile wheels (which have higher gross profit margins than our small-sized wheels) in the five months ended May 31, 2022, which also accounted for a higher proportion in our total sales for the five months ended May 31, 2022. Therefore, our Directors are of the view, which is concurred by the Sole Sponsor, that the measures adopted by our Group has been effective in transferring the increase in the price of aluminum ingot to our customers.

During the Track Record Period, we also generated the majority of our revenue from sales to overseas markets. All such sales were denominated in foreign currencies, and in particular U.S. dollars. Given that all of our raw materials are procured in the PRC and denominated in RMB, fluctuations in the foreign currency exchange rates may affect our gross profit margin when revenue generated from sales to overseas markets are translated to RMB. Between 2020, 2021 and the five months ended May 2022, the average exchange rate of USD to RMB depreciated from USD1.00:RMB6.88 in 2020 to USD1.00:RMB6.46 in 2021 and to USD1.00:RMB6.38 in the five months ended May 2022, which resulted in a decrease in revenue generated when revenue denominated in USD are translated to RMB and therefore negatively affected our gross profit margin. Between 2019 and 2020, the average exchange rate of USD to RMB did not experience significant fluctuation and did not have any material impact on our gross profit margin during this period.

Gross profit and gross profit margin of aluminum alloy automobile wheel by size

The following table sets forth our gross profit and gross profit margin by product size of aluminum alloy automobile wheels, for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Small	11,299	12.2	6,857	12.1	7,621	13.6	2,752	12.0	2,646	16.6
Medium	53,244	22.5	57,054	22.5	56,576	17.9	19,978	17.3	20,215	18.2
Large	9,365	27.5	12,395	28.4	12,061	21.0	3,860	21.2	4,196	21.5

Given that the manufacturing process, materials used and design are identical, the production time per unit, the product defect rate and the cost of mold production generally increase as the size of wheel increases. In light of the above reasons, we tend to charge higher price for large-sized aluminum alloy automobile wheels which results in higher gross profit margin on the aluminum alloy automobile wheels of larger size.

For details of the year-to-year fluctuations in our gross profit margins, please refer to the paragraphs headed "Results of operations" in this section of the prospectus.

In 2020, the gross profit margin of aluminum alloy automobile wheels of all sizes remained stable. The gross profit margin of our small aluminum alloy automobile wheels increased in 2021 and increase from 12.0% in the five months ended May 31, 2021 to 16.6% in the five months end May 31, 2022, mainly attributable to an increase in our proportion of our sales of small aluminum alloy automobile wheels to a customer located in

PRC. We generally charged a relatively higher price for products sold to this customer due to its special requirements and specifications. The gross profit margin of our medium and large-sized aluminum alloy automobile wheels generally decreased in 2021 primarily as a result of the increase in the procurement cost of aluminum alloy ingot, our main raw material. The gross profit margin of our medium and large aluminum alloy automobile wheels in the five months ended May 31, 2022 remained stable at 18.2% and 21.5% respectively. Our gross profit margin for our overseas geographic market was further affected by fluctuations in the foreign currency, in particular, the depreciation of the USD against the RMB.

Gross profit and gross profit margin of aluminum alloy automobile wheel by geographic market (country of delivery)

The following table sets forth our gross profit and gross profit margin by geographic market (country of delivery), for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
The PRC	19,418	20.6	21,891	22.1	26,403	17.8	8,245	17.0	10,336	17.3
The United States	8,999	23.0	17,702	25.8	17,600	20.4	5,428	19.6	5,410	20.5
Lithuania	8,292	26.7	9,333	28.1	10,708	21.3	4,913	22.4	3,269	26.3
Japan	6,421	13.6	2,732	13.2	2,053	15.8	1,253	14.4	765	19.9
Canada	4,562	20.0	6,311	18.8	5,569	13.9	1,622	13.2	1,410	17.7
United Arab Emirates	4,171	17.0	2,059	15.0	1,999	10.1	753	8.8	975	11.4
Latvia	1,631	21.0	451	21.5	266	17.2	273	17.7	—(1)	—(1)
Nigeria	1,469	14.5	2,055	18.5	948	14.2	527	14.9	247	14.2
United Kingdom	1,130	26.0	1,657	24.4	653	19.5	335	19.6	481	19.9
Dominica	1,057	28.1	1,170	25.6	969	16.7	489	17.4	634	14.4
Israel	752	20.0	1,028	20.6	546	11.8	265	13.0	59	15.8
Morocco	727	16.3	332	14.1	62	9.8	71	11.2	—(1)	—(1)
Thailand	707	25.4	935	23.0	1,330	21.0	316	18.4	730	18.9
Yemen	375	8.4	531	10.6	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)
Syria	93	26.6	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)
Russia	92	38.7	470	19.7	940	13.9	292	17.4	290	15.3
Iran	24	17.0	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)
Crimea	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)	—(1)
Others	13,807	19.0	8,926	17.9	7,123	15.2	2,270	14.1	2,873	17.5
Total/Overall	**73,727**	**19.7**	**77,583**	**21.4**	**77,169**	**17.5**	**27,052**	**17.0**	**27,479**	**18.3**

Note:

(1) "—" represents that there is no revenue generated from the geographical market (by country of delivery) in the respective period.

The gross profit margin of our products sold to the PRC increased from 20.6% in 2019 to 22.1% in 2020, mainly attributable to the increase in the sales of medium-sized and large-sized aluminum alloy automobile wheels which accounted for a larger proportion of total sales in 2020. According to Frost & Sullivan, given that the manufacturing process, materials used and design are identical, the price and gross profit margin of aluminum alloy automobile wheels increase as the size of the wheel increases.

The gross profit margin of our products sold to the United States increased from 23.0% in 2019 to 25.8% in 2020, mainly attributable to the increase in the sales of medium-sized and large-sized aluminum alloy automobile wheels which accounted for a larger proportion of total sales in 2020.

The gross profit margin of our products sold to Lithuania remained relatively stable at 26.7% and 28.1% in 2019 and 2020, respectively. During the Track Record Period, we generally recorded a higher gross profit margin in our sales to Lithuania as compared to other countries and territories mainly due to (i) the majority of wheels sold to Lithuania were medium and large sized aluminum alloy automobile wheels, which has a higher gross profit margin; (ii) we have entered into an exclusive sales agreement with UAB Group, our major customer in Lithuania, pursuant to which our aluminum alloy automobile wheels supplied to UAB Group are exclusively sold in Lithuania market. To compensate for the loss of potential business opportunities in the Lithuania market for similar products, we could charge a relatively higher price for such products; and (iii) a relatively higher proportion of aluminum alloy automobile wheels sold to Lithuania were wheels finished in translucent powder coating which generally has a higher price. The following table sets forth the average sales prices by product size of our aluminum alloy automobile wheels sold to UAB Group in Lithuania and to all of our customers, calculated by dividing revenue by sales volume of the specific product size, for the periods indicated.

	UAB Group				**All customers**			
	Year ended December 31,			**Five months ended May 31,**	**Year ended December 31,**			**Five months ended May 31,**
	2019	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**RMB**	**RMB**	**RMB**
Small	253	254	287	363	180	189	217	251
Medium	379	390	410	509	367	378	402	448
Large	561	582	603	713	574	593	608	675

During the Track Record Period, the average sales prices of our aluminum alloy automobile wheels sold to UAB Group in Lithuania were generally higher than the average sales prices of our aluminum alloy automobile wheels sold to all of our customers. According to Frost & Sullivan, the average sales prices of our aluminum alloy automobile wheels sold to Lithuania during the Track Record Period were consistent and comparable to other PRC manufacturers who sold similar products of similar sizes to Lithuania.

The gross profit margin of our products sold to Japan remained relatively stable at 13.6% and 13.2% in 2019 and 2020, respectively. The gross profit margin of our products sold to Japan increased to 15.8% in 2021 mainly because the sales of medium and large-sized aluminum alloy automobile wheels, which have higher gross profit margins, accounted for a larger proportion of total sales to Japan in 2021.

The gross profit margin of our products sold to Canada remained relatively stable at 20.0% and 18.8% in 2019 and 2020, respectively.

The gross profit margin of our products sold to Nigeria increased from 14.5% in 2019 to 18.5% in 2020 primarily due to the decrease in the sales proportion of small-sized aluminum alloy automobile wheels and an increase in the sales proportion of medium-sized aluminum alloy automobile wheels, as our medium-sized wheels have a higher gross profit margin than our small-size wheels.

The gross profit margin of our products sold to Dominica decreased from 28.1% in 2019 to 25.6% in 2020 mainly attributable to the slight increase in the sales proportion of small-sized aluminum alloy automobile wheels, which have a lower gross profit margin than our medium-sized and large-sized wheels.

The gross profit margin for our products generally decreased in all major geographic markets in 2021 primarily as a result of the impact caused by increase in the price of our raw materials, except Japan as discussed in the foregoing. Our gross profit margin for our overseas geographic market was further affected by fluctuations in the foreign currency, in particular, the depreciation of the USD against the RMB.

In the five months ended May 31, 2022, our gross profit margin of our products in all our major geographic markets increased as compared to the five months ended May 31, 2021 attributable to the relatively low gross profit margin in the five months ended May 31, 2021. In early 2021, due to the significant increase of price of aluminum alloy ingot within a short period of time and given the existence of a time gap between the point when the sales price is determined with customers and the point when the products are produced, we were not able to effectively pass the increase to our customers which negatively affected our gross profit margin in the same period. Since the second half of 2021, we made progressive improvement in transferring the increase in cost of raw materials to our customers. For details, please refer to "Business — Raw materials — Procurement of raw materials" in this prospectus. In the five months ended May 31, 2022, we continued to effectively transfer the increase in cost of raw materials to our customer and as a result our gross profit margin in all our major geographic markets increased. In addition, the increase of the gross profit margins of our products sold to Japan and Canada was due to the increase in the sales proportion of our medium-sized and large-sized aluminum alloy automobile wheels, which have higher gross profit margins than our small-sized wheels, to these two countries in the five months ended May 31, 2022.

For more details, please refer to "— Gross profit and gross profit margin" in this section of the prospectus.

Other revenue

Our other revenue consisted of government grants. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, our other revenue was RMB2.1 million, RMB2.6 million, RMB0.9 million, RMB0.1 million and RMB0.1 million, respectively. Our government grants included financial subsidies related to various aspects of our operations from branches of local governments in the PRC. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the amount of government grants we received which were one-off in nature were approximately RMB0.4 million, RMB0.5 million, RMB4,000 and nil, respectively.

Other net gain/(loss)

The following table sets forth the components of our other net gain/(loss) for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net loss on disposal of property, plant and equipment	(1,512)	(187)	(126)	(131)	(1)
Net exchange gain/(loss)	1,065	(4,680)	(2,428)	(2,304)	3,161
Net realized and unrealized gain on derivative financial instruments	4,468	380	—	—	—
Total	**4,021**	**(4,487)**	**(2,554)**	**(2,435)**	**3,160**

We recorded other net loss of RMB4.5 million, RMB2.6 million and RMB2.4 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2021, respectively. We recorded other net gain of RMB4.0 million and RMB3.2 million for the year ended December 31, 2019 and the five months ended May 31, 2022. Our other net gain/(loss) primarily included:

- Net exchange gain/(loss), which were primarily attributable to translation of (i) our trade and other receivables, trade and other payables and cash at bank denominated in U.S. dollar into RMB; (ii) our cash at bank denominated in Swiss franc into RMB; and (iii) the payable for deemed distribution arising from Reorganization in Buyang HK denominated in RMB into HKD as the functional currency of Buyang HK is HKD.

- Net realized and unrealized gain on derivative financial instruments, which were primarily resulted from gain or loss derived from foreign exchange options, aluminum futures and other derivatives. During the Track Record Period, we purchased certain derivative financial instruments including foreign exchange options, aluminum futures and other derivatives primarily for investment purposes. As at the Latest Practicable Date, we did not own any derivative financial instruments since July 2020. Our Directors confirm that we do not intend to engage in any investment activities through purchases of derivative financial instruments in the future.

Selling and distribution expenses

The following table sets forth the components of our selling and distribution expenses for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Transportation and customs clearance fee	5,964	62.4	5,789	70.1	6,530	64.0	2,477	58.7	1,536	51.8
Staff costs	1,684	17.6	1,630	19.7	2,140	20.9	866	20.5	878	29.6
Exhibition and advertisement fee	591	6.2	165	2.0	121	1.2	22	0.5	57	1.9
Insurance expenses	486	5.1	482	5.8	819	8.0	597	14.1	313	10.5
Travel expenses	338	3.5	3	0.1	7	0.1	1	0.1	—	—
Others[(1)]	502	5.2	188	2.3	591	5.8	260	6.1	183	6.2
Total	**9,565**	**100.0**	**8,257**	**100.0**	**10,208**	**100.0**	**4,223**	**100.0**	**2,967**	**100.0**

Note:

(1) Primarily included storage cost, costs associated with repair and refund of defective products, entertainment and other miscellaneous expenses related to our selling and distribution activities.

Our selling and distribution expenses represented 2.6%, 2.3%, 2.3%, 2.6% and 2.0% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Our selling and distribution expenses consisted primarily of:

- *Staff costs,* which consisted primarily of salaries and benefit paid to sales and marketing personnel;
- *Transportation and customs clearance fee*, which consisted primarily of freight cost and the customs clearance fee borne by our Group; and
- *Exhibition and advertisement fee,* which consisted primarily of expenses incurred for attending industrial exhibits and expos in the PRC and overseas.

Our selling and distribution expenses decreased by 13.7% from RMB9.6 million in 2019 to RMB8.3 million in 2020. Our selling and distribution expenses increased by 23.6% to RMB10.2 million in 2021. Our selling and distribution expenses decreased by 29.7% from RMB4.2 million for the five months ended May 31, 2021 to RMB3.0 million for the five months ended May 31, 2022.

Administrative and other operating expenses

The following table sets forth the components of our administrative and other operating expenses for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Listing expenses	4,216	55.1	14,415	64.9	6,757	43.4	2,951	40.6	1,533	26.1
Staff costs	3,782	49.3	4,593	20.7	5,669	36.5	2,287	31.5	2,339	39.8
Bank service charges	572	7.5	302	1.4	279	1.8	120	1.7	72	1.2
Amortization and depreciation	531	6.9	262	1.2	228	1.5	92	1.3	174	3.0
Tax expenses	286	3.7	281	1.3	220	1.4	122	1.7	55	0.9
Office expenses	189	2.5	140	0.6	238	1.5	139	1.9	55	0.9
Professional service fees	178	2.3	344	1.5	340	2.2	121	1.7	194	3.3
(Reversal of impairment)/ impairment losses on trade and other receivables	(2,597)	(33.9)	539	2.4	771	5.0	961	13.2	998	17.0
Others	509	6.6	1,347	6.0	1,047	6.7	464	6.4	453	7.8
Total	**7,666**	**100.0**	**22,223**	**100.0**	**15,549**	**100.0**	**7,257**	**100.0**	**5,873**	**100.0**

Administrative and other operating expenses represented 2.0%, 6.1%, 3.5%, 4.5% and 3.9% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Our administrative and other operating expenses consisted primarily of salaries and benefits for our administrative personnel, amortization and depreciation and Listing expenses.

Our administrative and other operating expenses increased by 189.9% from RMB7.7 million in 2019 to RMB22.2 million in 2020. Our administrative and other operating expenses decreased by 30.0% from RMB22.2 million in 2020 to RMB15.5 million in 2021. Our administrative and other operating expenses decreased by 19.1% from RMB7.3 million for the five months ended May 31, 2021 to RMB5.9 million for the five months ended May 31, 2022.

Net finance (costs)/income

The following table sets forth the components of our net finance costs for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income	681	2,071	2,097	1,191	620
Finance costs	(2,591)	(1,512)	(1,569)	(992)	(664)
Net finance (costs)/income	**(1,910)**	**559**	**528**	**199**	**(44)**

During the Track Record Period, our finance income was primarily interest income on bank deposits. Our finance costs mainly included interest expenses of bank loans and interest expenses in relation to lease liabilities recognized in accordance with the HKFRS 16 *Leases*. The net finance costs was RMB1.9 million and RMB44,000 for the year ended December 31, 2019 and the five months ended May 31, 2022. The net finance income was RMB0.6 million, RMB0.5 million and RMB0.2 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2021, respectively. Our interest expenses on bank loans are correlated to the amount of bank loans during the corresponding period. Our interest income on bank deposits are correlated to the amount of bank deposits during the corresponding period. For more details, please refer to "—Indebtedness" in this section of the prospectus.

Income tax

Our effective tax rates were 24.1%, 24.1%, 25.2%, 25.4% and 25.0% for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Our PRC subsidiaries are subject to income tax in the PRC. According to the 2008 EIT Law and its implementation rules, the PRC incorporated company is subject to the enterprise income tax at a single rate of 25%.

The following table sets forth income tax in the consolidated statements of profit or loss and other comprehensive income.

	Year ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Current Tax					
PRC corporate income tax	12,466	10,606	12,938	3,716	6,072
Deferred tax					
Origination and reversal of temporary differences	2,151	428	(278)	(296)	(601)
Total	**14,617**	**11,034**	**12,660**	**3,420**	**5,471**

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) The applicable profits tax rate of the Group's subsidiary incorporated in Hong Kong was 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD 2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Track Record Period.

The following table sets forth reconciliation between tax expense and profit before taxation at applicable tax rates.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	**60,713**	**45,740**	**50,323**	**13,459**	**21,853**
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	14,981	11,207	12,640	3,408	5,466
Tax effect of non-deductible expenses, net of non-taxable income	(364)	(173)	20	12	5
Actual tax expense	**14,617**	**11,034**	**12,660**	**3,420**	**5,471**

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with relevant tax authority.

Profit for the year/period

As a result of above, we had profit for the year/period of RMB46.1 million, RMB34.7 million and RMB37.7 million, RMB10.0 million and RMB16.4 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively.

RESULTS OF OPERATIONS

Five Months Ended May 31, 2021 Compared to Five Months Ended May 31, 2022

Revenue

Our revenue decreased by 6.1% from RMB159.5 million in the five months ended May 31, 2021 to RMB149.8 million for the five months ended May 31, 2022. The slight decrease was primarily due to the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets. In particular, our revenue from the oversea market decreased from RMB111.1 million in the five months ended May 31, 2021 to RMB90.2 million for the five months ended May 31, 2022.

Cost of Sales

Our cost of sales decreased by 7.6% from RMB132.5 million in the five months ended May 31, 2021 to RMB122.3 million for the five months ended May 31, 2022. The decrease was primarily due to the decrease in our sales volume as we were temporarily affected by the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets.

Gross Profit and Gross Profit Margin

Our gross profit increased by 1.6% from RMB27.1 million in the five months ended May 31, 2021 to RMB27.5 million in the five months ended May 31, 2022. Our gross profit margin increased from 17.0% for the five months ended May 31, 2021 to 18.3% for the five months ended May 31, 2022 attributable to the relatively low gross profit margin in the five months ended May 31, 2021. In early 2021, due to the significant increase of price of aluminum alloy ingot within a short period of time and the time gap between the point of determination of sales price and the point of production, we were not able to effectively pass the increase to our customers which negatively affected our gross profit margin in the same period. Since the second half of 2021, we made progressive improvement in transferring the increase in cost of raw materials to our customers. In the five months ended May 31, 2022, we continued to effectively transfer the increase in cost of raw materials to our customer and as a result our gross profit margin increased.

Other Revenue

Our other revenue which primarily consisted of government grants decreased from RMB0.1 million for the five months ended May 31, 2021 to RMB98,000 for the five months ended May 31, 2022. The decrease was primarily attributable to the decrease in government grant we received in the five months ended May 31, 2022.

Other Net (Loss)/Gain

We recorded other net gain of RMB3.2 million in the five months ended May 31, 2022 as compared to a net loss of RMB2.4 million in the five months ended May 31, 2021. Such reversal was primarily attributable to the net exchange gain of RMB3.2 million from translation of trade receivables and cash at bank denominated in USD into RMB due to the appreciation of USD against RMB in the first five months ended May 31, 2022.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 29.7% from RMB4.2 million in the five months ended May 31, 2021 to RMB3.0 million in the five months ended May 31, 2022. The decrease in our selling and distribution expenses was primarily attributable to the impacts on export of our products to overseas markets caused by the regional outbreaks of COVID-19 in the PRC in early 2022 resulting in a decrease in our transportation and customs clearance fee and insurance expenses for overseas sales.

Administrative and Other Operating Expenses

Our administrative and other operating expenses decreased by 19.1% from RMB7.3 million in the five months ended May 31,2021 to RMB5.9 million in the five months ended May 31, 2022, primarily because of a decrease in the Listing expenses from RMB3.0 million in the five months ended May 31, 2021 to RMB1.5 million in the five months ended May 31, 2022.

Net Finance Income/(Costs)

We incurred net finance costs of RMB44,000 in the five months ended May 31, 2022 as compared to net finance income of RMB0.2 million in the five months ended May 31, 2021. Such change was primarily due to a decrease in our interest income on bank deposits of 47.9% from RMB1.2 million in the five months ended May 31, 2021 to RMB0.6 million in the five months ended May 31, 2022.

Income Tax

Our income tax increased from RMB3.4 million in the five months ended May 31, 2021 to RMB5.5 million in the five months ended May 31, 2022 which was in line with the increase in our profit before taxation.

Our effective tax rate remained relatively stable at 25.4% and 25.0% for the five months ended May 31, 2021 and 2022, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period increased from RMB10.0 million in the five months ended May 31, 2021 to RMB16.4 million in the five months ended May 31, 2022, and our net profit margin for the period increased from 6.3% to 10.9%, respectively.

Our adjusted profit for the year, which is a non-HKFRS measure, would increase from RMB13.0 million in the five months ended May 31, 2021 to RMB17.9 million in the five months ended May 31, 2022, and our net profit margin for the period would increase from 8.1% to 12.0%, respectively.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 21.6% from RMB362.2 million in 2020 to RMB440.4 million in 2021. The significant increase was primarily as a result of our strong efforts in recovering customer demand in light of the adverse impact caused by the COVID-19 pandemic. In particular, our revenue from the overseas market increased significantly from RMB263.0 million in 2020 to RMB291.8 million in 2021.

Cost of Sales

Our cost of sales increased by 27.6% from RMB284.6 million in 2020 to RMB363.2 million in 2021. The increase was primarily due to (i) the increase in our sales volume as we recover from the COVID-19 pandemic; and (ii) the increase in the price of aluminum ingot which lead to increase in the procurement cost of our main raw material.

Gross Profit and Gross Profit Margin

Our gross profit remained stable at RMB77.6 million and RMB77.2 million for 2020 and 2021, respectively. Our gross profit margin decreased from 21.4% in 2020 to 17.5% in 2021. The decrease in our gross profit margin was primarily due to the increase in the procurement cost of aluminum alloy ingot and fluctuations in the foreign currency. According to Frost & Sullivan, the price of aluminum ingot increased from RMB15,697.6 per ton in the fourth quarter of 2020 to RMB20,270.6 per ton in the fourth quarter of 2021. We may not always be able to pass on the increase in cost of raw materials to our customers as a time gap generally exists between the point when the sales price is determined with the customer and the point when products are produced. In 2021, we experienced a drop in gross profit margin as the price of aluminum alloy ingot increased significantly since the purchase order was placed. We have implemented pricing adjustment measures to mitigate future impact of the increase in cost of raw materials on our results of operations. Our gross profit margin for the sales of aluminum alloy automobile wheels has increased to 19.5% in the three months ended December 31, 2021. We believe the mitigation measures we have implemented will reduce the risks of fluctuation in raw material price on our operation going forward and in the long run. For more details, please refer to the section headed “Business — Raw Materials — Procurement of raw materials” in this prospectus.

Our gross profit margin for our overseas geographic market was further affected by fluctuations in the foreign currency. Between 2020 and 2021, the average exchange rate of USD to RMB depreciated from USD1.00:RMB6.88 in 2020 to USD1.00:RMB6.46 in 2021, which resulted in a decrease in revenue generated when revenue denominated in USD are translated to RMB and therefore negatively affected our gross profit margin.

Other Revenue

Our other revenue which primarily consisted of government grants decreased from RMB2.6 million in 2020 to RMB0.9 million in 2021. The decrease was primarily attributable to the decrease in government grant we received in 2021.

Other Net Loss

We incurred other net loss of RMB2.6 million in 2021 which decreased from other net loss of RMB4.5 million in 2020. Such decrease was primarily arising from the translation of our trade and other receivables and cash at bank denominated in U.S. dollar into RMB as a result of the depreciation of U.S. dollar against RMB. We did not own any derivate financial instruments in 2021.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 23.6% from RMB8.3 million in 2020 to RMB10.2 million in 2021. The increase in our selling and distribution expenses was primarily because of (i) an increase in the staff cost of our sales employees due to an increase in the average salary and bonus of our sales employees as a result of the increase in our sales volume; and (ii) an increase in our transportation and customs clearance fee as a result of the increase in our sales activities in 2021.

Administrative and Other Operating Expenses

Our administrative and other expenses decreased from RMB22.2 million in 2020 to RMB15.5 million in 2021 primarily due to decrease in our Listing expenses incurred which was partially offset by the increase in staff costs as a result of increase in bonus and suspension of a social insurance relief which was in place during 2020.

Net Finance Income

We incurred net finance income of RMB0.5 million in 2021, which remained stable from net finance income of RMB0.6 million incurred in 2020.

Income Tax

Our income tax increased by 14.7% from RMB11.0 million in 2020 to RMB12.7 million in 2021 primarily due to increase in our sales activities.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB34.7 million in 2020 to RMB37.7 million in 2021 and our net profit margin for the year decreased from 9.6% in 2020 to 8.6% in 2021.

Our adjusted profit for the year, which is non-HKFRS measure, would decrease from RMB49.1 million in 2020 to RMB44.4 million in 2021, and our net profit margin for the year would decrease from 13.6% in 2020 to 10.1% in 2021, which was primarily due to the increase in the procurement cost of aluminum alloy ingot.

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

Revenue

Our revenue decreased by 3.2% from RMB374.0 million in 2019 to RMB362.2 million in 2020. The decrease was primarily a result of the adverse impact caused by the COVID-19 pandemic which led to a decrease in our sales to several overseas markets. For instance, we recorded an approximate 17.5% decrease in our European market and an approximate 17.2% decrease in our Asian market in terms of revenue despite a 5.2% increase in sales in the PRC.

Cost of Sales

Our cost of sales decreased by 5.2% from RMB300.3 million in 2019 to RMB284.6 million in 2020, which was in line with the decrease in our revenue for the same year.

Gross Profit and Gross Profit Margin

Our gross profit increased slightly by 5.2% from RMB73.7 million in 2019 to RMB77.6 million in 2020. Our gross profit margin increased slightly from 19.7% in 2019 to 21.4% in 2020. Our gross profit margin increased as a result of the increase in the average sales price of our aluminum alloy automobile wheel which was primarily due to increase in the proportion of medium-sized and large-sized aluminum alloy automobile wheels sold in 2020.

Other Revenue

Our other revenue increased from approximately RMB2.1 million in 2019 to RMB2.6 million in 2020, attributable to the increase in the government grants we received. Our government grants increased primarily because we received an interest subsidy from the local government in relation to a bank loan we obtained in 2020.

Other Net Gain/(Loss)

We incurred other net loss of RMB4.5 million in 2020 as compared to the other net gain of RMB4.0 million in 2019. Such reversal was primarily due to (i) the change in the net exchange gain/(loss) from a net gain of RMB1.1 million in 2019 to a net loss of RMB4.7 million in 2020 as a result of the translation of trade receivables denominated in USD to RMB as a result of depreciation of USD against RMB in the second half of 2020; and (ii) the decrease in the net realized and unrealized gain on derivative financial instruments from RMB4.5 million in 2019 to RMB0.4 million in 2020 as we traded less currency derivatives in 2020 in light of the fluctuation of the exchange rate of U.S. dollar against the RMB.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 13.7% from RMB9.6 million in 2019 to RMB8.3 million in 2020. The decrease in our selling and distribution expenses was primarily because of (i) a decrease in the exhibition and advertisement fee from RMB0.6 million in 2019 to RMB0.2 million in 2020 as the number of exhibitions participated by us during 2020 decreased; and (ii) a decrease in travel expenses due to the COVID-19 pandemic in 2020.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 189.9% from RMB7.7 million in 2019 to RMB22.2 million in 2020, primarily because we incurred Listing expenses of RMB14.4 million in 2020.

Net Finance (Costs)/Income

We incurred net finance costs of RMB1.9 million in 2019 and net finance income of RMB0.6 million in 2020. Such change was primarily due to (i) a decrease in our interest on bank loans from RMB2.1 million in 2019 to RMB1.0 million in 2020 as we did not borrow any new bank loan except for a bank loan totaling RMB50.0 million in June 2020; and (ii) an increase in our interest income on bank deposits from RMB0.7 million in 2019 to RMB2.1 million in 2020.

Income Tax

Our income tax decreased by 24.5% from RMB14.6 million in 2019 to RMB11.0 million in 2020 which was line with the decrease in our profit before taxation. Our effective tax rate remained stable at 24.1% for both 2019 and 2020.

Profit for the Year

As a result of the foregoing, our profit for the year decreased from RMB46.1 million in 2019 to RMB34.7 million in 2020, and our net profit margin for the year decreased from 12.3% in 2019 to 9.6% in 2020.

Our adjusted profit for the year, which is non-HKFRS measure, would remain stable at RMB50.3 million in 2019 and RMB49.1 million in 2020, and our net profit margin for the year would remain stable at 13.5% in 2019 and 13.6% in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity were cash generated from our operations, bank loans and advances from related parties. Our principal uses of cash primarily include capital expenditures to fund the expansion of our business and working capital. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we had cash and cash equivalents of RMB52.3 million, RMB95.8 million, RMB72.2 million and RMB100.0 million, respectively. Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities, external financing and a portion of net proceeds from the Global Offering. Our Directors confirm that our Group regularly monitor our liquidity requirements to ensure sufficient cash resources for our working capital and capital expenditure needs. During the Track Record Period and up to the

Latest Practicable Date, our Directors confirm that our Group did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations.

Cash Flows

The following table sets forth a summary of our net cash flows for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Net cash generated from operating activities . . .	86,192	32,646	26,211	16,782	32,044
Net cash used in investing activities	(11,636)	(21,586)	(25,090)	(6,474)	(3,414)
Net cash (used in)/generated from financing activities	(87,543)	34,638	(23,279)	(1,994)	(1,796)
Net (decrease)/increase in cash and cash equivalents	(12,987)	45,698	(22,158)	8,314	26,834
Cash and cash equivalents at the beginning of the year	67,583	52,271	95,753	95,753	72,206
Effect of foreign exchange rate changes	(2,325)	(2,216)	(1,389)	(1,129)	940
Cash and cash equivalents at the end of the year	52,271	95,753	72,206	102,938	99,980

Net Cash Generated from Operating Activities

Net cash generated from operating activities was RMB86.2 million, RMB32.6 million. RMB26.2 million and RMB32.0 million for 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Net cash generated from operating activities consisted primarily of our profit before taxation for the year/period, adjusted to (i) exclude the effect of non-cash or non-operating items, such as depreciation of property, plant and equipment, finance costs, net realized and unrealized loss/(gain) on derivative financial instruments, net loss/(gain) on disposal of property, plant and equipment, (reversal of impairment)/ impairment losses on trade and other receivables; (ii) include changes in working capital; and (iii) include the payment of PRC corporate income tax.

For the five months ended May 31, 2022, we generated net cash from operating activities of RMB32.0 million, which was primarily attributable to profit before taxation of RMB21.9 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised depreciation of property, plant and equipment of RMB6.5 million, interest income of RMB0.6 million and finance costs of RMB0.7 million; (ii) changes in working capital, mainly attributable to the combined effect of a decrease in inventories of RMB10.0 million, a decrease in pledged deposits of RMB11.3 million and a decrease in trade and other payables of RMB15.1 million and (iii) payment of PRC corporate income tax of RMB5.6 million.

In 2021, we generated net cash from operating activities of RMB26.2 million, which was primarily attributable to profit before taxation of RMB50.3 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised depreciation of property, plant and equipment of RMB16.2 million, interest income of RMB2.1 million and finance costs of RMB1.6 million; (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB11.4 million, an increase in inventories of RMB10.7 million, an increase in pledged deposits of RMB3.5 million and a decrease in contract liabilities of RMB3.0 million; and (iii) payment of PRC corporate income tax of RMB11.6 million.

In 2020, we generated net cash from operating activities of RMB32.6 million, which was primarily attributable to profit before taxation of RMB45.7 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised depreciation of property, plant and equipment of RMB13.6 million, interest income of RMB2.1 million and finance costs of RMB1.5 million; (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB22.2 million, an increase in trade and other payables of RMB13.6 million, an increase in inventories of RMB5.5 million and an increase in contract liabilities of RMB3.1 million; and (iii) payment of PRC corporate income tax of RMB14.3 million.

In 2019, we generated net cash from operating activities of RMB86.2 million, which was primarily attributable to profit before taxation of RMB60.7 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised depreciation of property, plant and equipment of RMB12.0 million, net realized and unrealized gain on derivative financial instruments of RMB4.5 million, reversal of impairment losses on trade and other receivables of RMB2.6 million, finance costs of RMB2.6 million and net loss on disposal of property, plant and equipment of RMB1.5 million; (ii) changes in working capital, which primarily comprised an increase in trade and other payables of RMB16.1 million, a decrease in inventories of RMB15.7 million, a decrease in trade and other receivables of RMB10.2 million and an increase in pledged deposits of RMB6.6 million; and (iii) payment of PRC corporate income tax of RMB18.6 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB11.6 million, RMB21.6 million. RMB25.1 million and RMB3.4 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. During the Track Record Period, our cash used in investing activities primarily comprised (i) payment for purchase of property, plant and equipment and intangible assets; and (ii) payment for settlement of derivative financial instruments. Our cash generated from investing activities primarily comprised (i) net release of pledged deposits for derivative financial instruments; and (ii) interests received.

For the five months ended May 31, 2022, our net cash used in investing activities was RMB3.4 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB3.7 million, and was partially offset by the interest received of RMB0.6 million.

In 2021, our net cash used in investing activities was RMB25.1 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB17.2 million and payment for purchase of land use rights of RMB10.4 million, and was partially offset by the interest received of RMB2.1 million.

In 2020, our net cash used in investing activities was RMB21.6 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB24.9 million, and was partially offset by the interest received of RMB2.1 million.

In 2019, our net cash used in investing activities was RMB11.6 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB13.6 million and net payment for settlement of derivative financial instruments of RMB3.4 million, and were partially offset by the net release of pledged deposits for derivative financial instruments of RMB4.7 million.

Net Cash (Used in)/Generated from Financing Activities

During the Track Record Period, our cash used in financing activities primarily comprised (i) repayment of bank loans, (ii) repayment to related parties, (iii) deemed distribution arising from reorganization, (iv) dividends paid to the then shareholders, (v) interest paid, (vi) capital element of lease rentals paid and interest element of lease rentals paid and (vii) payment for Listing expenses. Our cash generated from financing activities primarily comprised (i) proceeds from bank loans, (ii) proceeds from related parties and (iii) proceeds from issue of shares.

For the five months ended May 31, 2022, our net cash used in financing activities was RMB1.8 million, primarily due to interest paid of RMB0.3 million, payment for Listing expenses of RMB0.7 million, capital element and interest element of lease rental paid of a total of RMB0.9 million.

In 2021, our net cash used in financing activities was RMB23.3 million, primarily due to repayment of a bank loan in the amount of RMB50.0 million, and were partially offset by the proceeds from a bank loan of RMB30.0 million.

In 2020, our net cash generated from financing activities was RMB34.6 million, primarily attributable to the proceeds from issue of shares of RMB105.7 million and proceeds from bank loans of RMB50.0 million, and were partially offset by the deemed distribution arising from reorganization of RMB104.0 million.

In 2019, our net cash used in financing activities was RMB87.5 million, primarily attributable to the repayment to related parties of RMB189.6 million and the repayment of bank loans of RMB127.3 million, and were partially offset by the proceeds from related parties of RMB171.1 million and the proceeds from bank loans of RMB63.2 million.

CAPITAL EXPENDITURES

Our capital expenditures incurred and settled, which consisted primarily of expenditures on property, plant and equipment and intangible assets, were RMB12.2 million, RMB28.8 million. RMB20.4 million and RMB2.9 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Fluctuations in our capital expenditures during the Track Record Period primarily reflect our purchase of equipment to meet our various business needs.

We expect to fund these capital expenditures with cash generated from our operations, bank and other loans and proceeds from the Global Offering. For more details of our planned capital expenditure, please refer to “Future Plans and Use of Proceeds” and “Business — Our Business Strategies” in this prospectus.

CAPITAL COMMITMENTS

The following table sets forth the capital commitments outstanding as of the year ends indicated, which were not provided for in the Historical Financial Information:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment:				
Contracted for	41	1,230	13	339

During the Track Record Period, our Group's capital commitments relate to expenditures on property, plant and equipment. As of December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we had capital commitments of RMB41,000, RMB1.2 million and RMB13,000 and RMB0.3 million. The increase in capital commitments in 2020 was primarily due to our acquisition of painting machineries and equipment for our painting phase.

WORKING CAPITAL

Net Current (Liabilities)/Assets

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of May 31,	As of September 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	61,798	67,268	77,927	67,976	49,988
Trade and other receivables	47,580	76,334	91,003	89,809	131,211
Pledged deposits	23,854	24,496	27,986	16,697	20,463
Cash and cash equivalents	52,271	95,753	72,206	99,980	132,704
Total current assets	185,503	263,851	269,122	274,462	334,366
Current liabilities					
Bank loans	—	50,059	30,035	30,231	30,035
Trade and other payables	192,021	97,208	90,105	74,329	101,562
Contract liabilities	3,756	6,833	3,791	3,640	2,255
Lease liabilities	372	395	419	429	438
Financial liabilities at fair value through profit or loss	643	—	—	—	—
Current taxation	4,016	320	1,673	2,099	4,968
Total current liabilities	200,808	154,815	126,023	110,728	139,258
Net current (liabilities)/assets	(15,305)	109,036	143,099	163,734	195,108

As of December 31, 2019 we had net current liabilities of RMB15.3 million. As of December 31, 2020 and 2021 and the five months ended May 31, 2022, we had net current assets of RMB109.0 million, RMB143.1 million and RMB163.7 million, respectively. Our current assets consist principally of inventories, trade and other receivables, cash and cash equivalents and pledged deposits. Our current liabilities consist principally of trade and other payables, bank loans and current taxation.

Our net current assets increased from RMB143.1 million as of December 31, 2021 to RMB163.7 million as of May 31, 2022 and further increased to RMB195.1 million as of September 30, 2022, primarily due to our profit generated in the respective periods.

Our net current assets increased from RMB109.0 million as of December 31, 2020 to RMB143.1 million as of December 31, 2021 primarily due to (i) the increase in our inventories and trade and other receivables as a result of increase in sales activities and preparation for products to be delivered in the first quarter of 2022; and (ii) the decrease in our bank loans due to the repayment of a bank loan of RMB50.0 million and the borrowing of a new bank loan of RMB30.0 million. We had net current assets of RMB109.0 million as of December 31, 2020, as compared to net current liabilities of RMB15.3 million as of December 31, 2019. The reversal of our financial position was primarily attributable to (i) a decrease in trade and other payables of RMB94.8 million as a result of the settlement of the payable for deemed distribution arising from Reorganization of RMB104.0 million using the proceeds from the issue of shares in the same period; and (ii) our profit for the year generated in 2020.

WORKING CAPITAL SUFFICIENCY STATEMENT

Taking into account our internal resources, our cash flow from operations, available banking facilities and the net proceeds available to us from the Global Offering, our Directors are of the opinion that we have sufficient working capital for at least the next 12 months following the date of this prospectus.

After due consideration, our Directors believe there will not be any material changes in the composition and trend of our capital expenditure in the next 12 months barring any material unforeseeable circumstances.

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

The following table sets forth the components of our inventories as of the dates indicated.

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	23,965	22,081	14,516	7,965
Work in progress	12,014	10,389	13,825	11,383
Finished goods	26,113	34,689	49,222	49,328
Others	337	529	1,050	78
	62,429	67,688	78,613	68,754
Write-down of inventories	(631)	(420)	(686)	(778)
Total	61,798	67,268	77,927	67,976

Our inventories increased from RMB61.8 million as of December 31, 2019 to RMB67.3 million as of December 31, 2020, primarily due to the increase in our inventory of finished goods. This was because our production volume rebounded in the fourth quarter of 2020 and was higher than our production volume in the fourth quarter of 2019, resulting in a higher inventory level of finished goods as of December 31, 2020. Our inventories increased from RMB67.3 million as of December 31, 2020 to RMB77.9 million as of December 31, 2021, primarily due to the increase in our finished goods and work in progress which was partially offset by a decrease in our raw materials level. The substantial increase in the amount of finished goods as of December 31, 2021 as compared to that of 2020 was primarily attributable to the increase in our production volume in the year of 2021 due to our strong recovery from COVID-19 in 2021. Our inventories decreased from RMB77.9 million as of December 31, 2021 to RMB68.0 million as of May 31, 2022, primarily as a result of our reduction of bulk purchase of aluminum alloy ingot due to the fluctuation of price of aluminum ingot in early 2022. After a short-term decrease in the fourth quarter of 2021, the price of aluminum ingot price increased significantly in the first quarter of 2022. In the second quarter of 2022, the price of aluminum ingot went into a downward trend.

As of September 30, 2022, RMB61.4 million, or 89.4%, of our inventories as of May 31, 2022 were utilized or sold.

As of December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we recognized write-down of approximately RMB0.6 million, RMB0.4 million, RMB0.7 million and RMB0.8 million for the impairment of inventories, respectively. We made provisions for impairment of inventories as the carrying value of inventories were below net realizable value.

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Inventory turnover days[(1)]	84.6	83.0	73.0	90.1

Note:

(1) Calculated by dividing the average balance of inventories by cost of sales for the relevant period multiplied by 365 days for the years of 2019 and 2021, 366 days for the year of 2020 and 151 days for the five months ended May 31, 2022. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our inventory turnover days remained relatively stable in 2019 and 2020. Our inventory turnover days decreased from 83.0 days in 2020 to 73.0 days in 2021 as a result of the increase in cost of sales due to the increase in our sales volume and the cost of aluminum alloy.

Our inventory turnover days increased from 73.0 days in 2021 to 90.1 days in the five months ended May 31, 2022 as a result of the decrease in cost of sales due to the decrease in the sales volume attributable to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, delivery of our products to overseas markets.

Trade and Other Receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated.

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— Third parties	44,453	64,421	78,092	82,515
Bills receivables	710	1,582	597	577
Less: Loss allowance for trade and bills receivables	(72)	(611)	(1,025)	(2,023)
Financial assets measured at amortized cost	**45,091**	**65,392**	**77,664**	**81,069**
Value-added tax recoverable and others	633	2,879	16	15
Prepayment	1,856	8,063	13,323	8,725
Trade and other receivables	**47,580**	**76,334**	**91,003**	**89,809**

Our trade and other receivables increased from RMB47.6 million as of December 31, 2019 to RMB76.3 million as of December 31, 2020 primarily because (i) our trade and bills receivables increased from RMB45.2 million as of December 31, 2019 to RMB66.0 million as of December 31, 2020 since our sales rebounded in the fourth quarter of 2020 and was higher than our sales in the fourth quarter of 2019, resulting in the increase in the trade and bills receivables as of December 31, 2020; and (ii) our prepayment increased from RMB1.9 million as of December 31, 2019 to RMB8.1 million as of December 31, 2020 since we prepaid for the Listing expenses and the raw materials for our production in 2021 in light of the rebounded sales in the fourth quarter of 2020.

Our trade and other receivables increased from RMB76.3 million as of December 31, 2020 to RMB91.0 million as of December 31, 2021 primarily due to (i) increase in our trade receivables from RMB64.4 million as of December 31, 2020 to RMB78.1 million as of December 31, 2021 as a result of higher sales generated in 2021 as compared to 2020; and (ii) increase in our prepayment from RMB8.1 million as of December 31, 2020 to RMB13.3 million as of December 31, 2021 as a result of (a) the increase of prepayment for raw materials in order to maintain a reasonable volume of inventory of raw materials to satisfy our production needs in 2022; and (b) the increase of prepayment of Listing expenses.

Our trade and other receivables remained steady at RMB91.0 million and RMB89.8 million as of December 31, 2021 and May 31, 2022, respectively.

As of September 30, 2022, RMB70.0 million or 84.3% of our trade and bills receivables as of May 31, 2022 were settled, respectively. Our Directors, having considered the settlement history of the relevant customers, are of the view that our Group is able to recover the unsettled trade and bills receivables as of September 30, 2022 by the end of 2022.

The table below sets forth an aging analysis of our trade and bills receivables based on the date of revenue recognition and net of loss allowance as of the periods indicated.

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	41,696	62,660	70,512	70,196
Over 3 months but within 6 months	2,321	2,088	5,014	7,992
Over 6 months but within 12 months	1,074	644	381	1,118
Over 12 months	—	—	1,757	1,763
	45,091	65,392	77,664	81,069

Trade and bills receivables outstanding for three months or less accounted for 92.5%, 95.8%, 90.8% and 86.6% of our total trade and bills receivables as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. As of December 31, 2021 and May 31, 2022, we have recorded an amount of approximately RMB1.8 million and RMB1.8 million of our trade and bills receivables aged over 12 months primarily as a result of delayed payment from certain customers, respectively. After assessing the relevant customers' circumstances on a case-by-case basis, including factors such as their length of relationships with us, the customers' repayment history, credit history and size, our Directors are of the view that the delay in payment is temporary in nature and our ability to recover the relevant trade receivables will not be materially affected. As of June 30, 2022, the outstanding payment of one of the certain customers, which constituted a significant percentage of the relevant outstanding trade and bill receivables, has been substantially settled. We will continue to monitor our trade and other receivables on a timely basis to ensure that sufficient and necessary impairment provisions are made.

The following table sets forth the turnover days for our trade and bills receivables for the periods indicated.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Trade and bills receivables turnover days [(1)]	47.0	55.8	59.3	80.0

Note:

(1) Calculated by dividing the average balance of trade and bills receivables by revenues for the relevant period multiplied by 365 days for the years of 2019 and 2021, 366 days for the year of 2020 and 151 days for the five months ended May 31, 2022. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade and bills receivables turnover days increased from 47.0 days in 2019 to 55.8 days in 2020, primarily because our trade and bills receivables outstanding for three months or less than three months increased by 50.3% from RMB41.7 million as of December 31, 2019 to RMB62.7 million as of December 31, 2020. The higher trade and bills receivables as of December 31, 2020 were mainly because our sales rebounded in the fourth quarter of 2020 and part of the relevant trade and bills receivables remained unsettled as of December 31, 2020. Our trade and bills receivables turnover days remained stable at 55.8 days and 59.3 days for the years ended December 31, 2020 and 2021, respectively. Our trade and bills receivables turnover days increased from 59.3 days for the year ended December 31, 2021 to 80.0 days for the five months ended May 31, 2022 primarily attributable to (i) an one-off event as there was an increase in our trade and bills receivables mainly due to more sales were recognized in May 2022 as our sales rebounded after the regional outbreaks of COVID-19 in the PRC in early 2022; (ii) the delay of payment of certain customers resulting in the increase in trade and bills receivables aged over 3 months but within 6 months. As of September 30, 2022, 62.7% of the trade and bills receivables aged over 3 months but within 6 months outstanding as of May 31, 2022 was settled; and (iii) the slight decrease in sales volume in the five months ended May 31, 2022 due to regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, the delivery of our products to overseas markets.

Pledged Deposits

Our pledged deposits consisted primarily of guarantee deposits for issuance of bank acceptance notes and guarantee deposits for derivative financial instruments, which remained stable at RMB23.9 million, RMB24.5 million, RMB28.0 million as of December 31, 2019, 2020 and 2021, respectively. Our pledged deposits decreased from RMB28.0 million as of December 31, 2021 to RMB16.7 million as of May 31, 2022 as a result of a decrease in issuance of bank acceptance notes.

Trade and Other Payables

The following table sets forth the components of our trade and other payables as of the dates indicated.

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— Third parties	25,680	32,815	23,153	22,806
— Related parties	1,154	280	485	3,742
Bills payables	22,797	24,496	27,986	16,697
	49,631	57,591	51,624	43,245
Payable for deemed distribution arising from Reorganization				
— Related parties	103,950	—	—	—
Other payables and accruals	16,881	27,761	25,688	23,639
Advances from related parties	12,174	1,187	1,153	1,197
Financial liabilities measured at amortized cost	182,636	86,539	78,465	68,081
Accrued payroll and other benefits	9,067	10,301	10,456	5,414
Other taxes and charges payable	318	368	1,184	834
Trade and other payables	192,021	97,208	90,105	74,329

Our trade and bills payables increased from RMB49.6 million as of December 31, 2019 to RMB57.6 million as of December 31, 2020 primarily because we increased our purchases of raw materials in the fourth quarter of 2020 in light of the rebounded sales in the same quarter. Our trade and bills payables decreased to RMB51.6 million as of December 31, 2021 primarily as we expedited our payments to suppliers as a result of more active production activities and purchase of raw materials in 2021. Our trade and bills payables decreased from RMB51.6 million as of December 31, 2021 to RMB43.2 million as of May 31, 2022 primarily attributable to a decrease in our purchase of raw materials in April and May 2022.

As of September 30, 2022, RMB29.4 million, or 68.0%, of our trade and bills payables outstanding as of May 31, 2022 was settled.

The table below sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated.

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	32,759	41,743	32,455	28,414
Over 3 months but within 6 months	15,477	14,405	18,128	13,422
Over 6 months but within 12 months	592	338	173	517
Over 12 months	803	1,105	868	892
Total	**49,631**	**57,591**	**51,624**	**43,245**

The following table sets forth the turnover days for our trade and bills payables for the periods indicated.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Trade and bills payables turnover days(1)	59.8	69.0	54.9	58.6

Note:

(1) Calculated by dividing the average balance of trade and bills payables by cost of sales for the relevant period multiplied by 365 days for the years of 2019 and 2021, 366 days for the year of 2020 and 151 days for the five months ended May 31, 2022. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade and bills payables turnover days increased from 59.8 days for 2019 to 69.0 days for 2020 primarily because we increased our purchases of raw materials in the fourth quarter of 2020 in light of the rebounded sales in the same quarter and part of the relevant trade and bills payables remained unsettled as of December 31, 2020. Our trade and bills payables turnover days decreased from 69.0 days in 2020 to 54.9 days in 2021 as we expedited our payments to suppliers as a result of more active production activities and purchase of raw materials in 2021. Our trade and bills payables turnover days remained stable at 54.9 days in 2021 and 58.6 days in the five months ended May 31, 2022.

Our payable for deemed distribution arising from Reorganization to related parties were RMB104.0 million, nil, nil and nil as of December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. For more details, please refer to "History, Reorganization and Corporate Structure — Reorganization" in this prospectus.

Our other payables and accruals were RMB16.9 million, RMB27.8 million, RMB25.7 million and RMB23.6 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. Our other payables and accruals increased from RMB16.9 million as of December 31, 2019 to RMB27.8 million as of December 31, 2020, primarily attributable to the Listing expenses incurred and purchase of equipment. Our other payables and accruals remained stable at RMB25.7 million and RMB23.6 million as of December 31, 2021 and May 31, 2022.

Our advances from related parties were RMB12.2 million, RMB1.2 million, RMB1.2 million and RMB1.2 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively, which mainly represented advances from Buyang Group or First Oriental. For more details, please refer to "— Related Party Transaction" in this section of the prospectus.

Our accrued payroll and other benefits increased from RMB9.1 million as of December 31, 2019 to RMB10.3 million as of December 31, 2020, primarily because of an increase in the accrued year-end bonus as of December 31, 2020 as compared to December 31, 2019. Our accrued payroll and other benefits increased from RMB10.3 million as of December 31, 2020 to RMB10.5 million as of December 31, 2021 primarily because of an increase of the accrued year-end bonus as of December 31, 2021 due to the increase in our sales volume. Our accrued payroll and other benefits decreased from RMB10.5 million as of December 31, 2021 to RMB5.4 million as of May 31, 2022, primarily because of the payment of year-end bonus in the first quarter of 2022.

Contract Liabilities

Contract liabilities were related to the receipts in advance from our customers which were outstanding contractual performance obligation to sales of products and were RMB3.8 million, RMB6.8 million, RMB3.8 million and RMB3.6 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively.

As of September 30, 2022, 74.1%, 65.0%, 84.8% and 75.7% of the contract liabilities outstanding as of December 31, 2019, 2020, 2021 and May 31, 2022, respectively, has been subsequently recognized as revenue; whereas 22.1%, 33.5%, nil and nil of the corresponding outstanding contract liabilities have been recognized as our other payables. Since our contract liabilities were receipts in advance from our customers for their orders, when the customers canceled their orders, the receipts in advances should be returned to the customers and were recognized as our other payables.

Financial Liabilities at Fair Value through Profit or Loss

For the year ended December 31, 2019, our financial liabilities at fair value through profit or loss were financial derivative instruments. We purchased and disposed of such financial instruments offered by major PRC banks, primarily including foreign exchange options and aluminum futures. Our Directors confirm that, as of the Latest Practicable Date, we have ceased purchasing financial derivative instruments.

RELATED PARTY TRANSACTION

Significant related party transactions

The following table sets forth our significant related party transactions during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of goods:					
— Zhejiang Feishen	23	—	—	—	—
Increase in advances from:					
— Buyang Group	171,987	1,994	—	—	—
— Ms. Xu Jingjun	1,050	—	—	—	—
— First Oriental	—	1,288	—	—	—
Decrease in advances from:					
— Buyang Group	189,598	13,061	—	—	—
— Ms. Xu Jingjun	—	1,050	—	—	—
— Zhejiang Feishen	—	57	—	—	—
Fuel expenses and utilities paid/payable to:					
— Buyang Group	23,379	9,549	7,874	3,251	2,882
Interest expense on lease liabilities:					
— Buyang Group (1)	507	485	462	189	180

Note:

(1) The amount of rent payable excluding value-added tax by the Group under the lease is RMB857,000 per year. At the commencement date of the lease, the Group recognized a right-of-use asset and a lease liability of RMB10.3 million.

Sales of goods

Zhejiang Feishen had purchased aluminum alloy automobile wheels from us during the Track Record Period.

Advances from related parties and repayment

We mainly obtained advances from the Buyang Group during the Track Record Period. Such proceeds were generally used for working capital and were generally repaid within one year. All of the advances from related parties were non-interest bearing, unsecured and repayable on demand. Our Directors confirm that such amounts due to related parties as of May 31, 2022 has been settled as at the Latest Practicable Date.

Fuel expenses and utilities paid/payable to

During the Track Record Period, Buyang Group paid expenses on our behalf at the end of each month and the end of year and charged us back without any mark-ups. The expenses paid primarily included gas and electricity fees.

Interest expense on lease liabilities

We rented the Leased Property from Buyang Group to accommodate our manufacturing facility, administrative facilities and warehouse during the Track Record Period. Right-of-use assets and lease liabilities had been recognized and relevant interest expenses were accrued since the commencement of the lease.

The Directors have confirmed that transactions with the related parties were conducted on normal commercial terms and were fair and reasonable and in the interest of the Shareholders as a whole, and all non-trade receivables and non-trade payables will be settled prior to or upon the Listing. The Directors also believe that those transactions with related parties and amounts due to and due from related parties did not distort the Group's result of operations during the Track Record Period.

INDEBTEDNESS

The following table sets forth the indebtedness of our Group as of the dates indicated.

	As of December 31,			As of May 31,	As of September 30,
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**
Unsecured bank loans	—	50,059	30,035	30,231	30,035
Unsecured advances from related parties	12,174	1,187	1,153	1,197	1,276
Lease liabilities	8,751	8,379	7,984	7,307	7,454
Total	**20,925**	**59,625**	**39,172**	**38,735**	**38,765**

During the Track Record Period, we obtained bank loans and advances from related parties, including Buyang Group and our key management personnel mainly to supplement our working capital and finance our expenditure. We also had lease liabilities due to Buyang Group during the same time periods. Our bank loans, advances from related parties (if any) and lease liabilities as of December 31, 2019, 2020 and 2021, May 31, 2022 and September 30, 2022 were all denominated in either Renminbi or HKD.

As at December 31, 2020, we had unsecured bank loan of RMB50.0 million with a fixed interest rate of 3.85% which was repaid on June 18, 2021. As at December 31, 2021, May 31, 2022 and September 30, 2022, we had unsecured bank loan of RMB30.0 million, RMB30.0 million and RMB30.0 million, respectively, with a fixed interest rate of 3.85% and is repayable on October 19, 2022. We did not have outstanding bank loan as of December 31, 2019.

As of September 30, 2022, we had unutilized banking facilities of RMB50.0 million, which can be utilized to address our liquidity needs.

As of December 31, 2019, 2020 and 2021, May 31, 2022 and September 30, 2022, our outstanding advances from related parties were RMB12.2 million, RMB1.2 million, RMB1.2 million, RMB1.2 million and RMB1.3 million, respectively.

Our lease liabilities due to Buyang Group were RMB8.8 million, RMB8.4 million, RMB8.0 million, RMB7.3 million and RMB7.5 million, as of December 31, 2019, 2020 and 2021, May 31, 2022 and September 30, 2022, respectively.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans, default in payment of bank loans or breach of covenants, or cancellation of customer order or customer default during the Track Record Period and up to the Latest Practicable Date.

Contingent Liabilities

As at December 31, 2019, 2020 and 2021 and May 31, 2022, we did not have any significant contingent liabilities.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to various types of financial risk in the ordinary course of business, including market risk (consisting of currency risk and interest rate risk), credit risk and liquidity risk.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

Our exposure to credit risks is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. As at December 31, 2019, 2020 and 2021 and May 31, 2022, 4.4%, 25.3%, 4.9% and 8.9%, respectively, of trade receivables were due from our largest customers and 37.8%, 53.9%, 37.8% and 39.1%, respectively, of trade receivables were due from our five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mostly due from the date of revenue recognition. Normally, we do not obtain collateral from customers.

We do not provide any guarantees which would expose us to credit risk.

In respect of trade receivables, we measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix and individually determined to be impaired. At December 31, 2019, 2020 and 2021 and May 31, 2022, our trade receivables of nil, RMB357,000, RMB2,056,000 and RMB6,748,000 respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The impaired trade receivables increased from RMB357,000 as at December 31, 2020 to RMB2,056,000 as at December 31, 2021 primarily attributable to the recognition of impaired trade receivables due from two customers who encountered financial difficulties in 2021. In the five months ended May 31, 2022, the impaired trade receivables further increased from RMB2,056,000 to RMB6,748,000 primarily attributable to the recognition of impaired trade receivables due from two additional customers who encountered financial difficulties in 2022. Consequently, specific allowance for impairment of trade and other receivables of nil, RMB357,000, RMB231,000 and RMB996,000 respectively were recognized. For the provision matrix method, as our historical credit loss experience do not indicate significantly different loss patterns for different customer segments, the loss allowance based on ageing information which is analyzed based on the date of revenue recognition is not further distinguished between our different customer bases.

Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

The Group's interest-bearing financial instruments at variable rates are the cash at bank as at each of the year end of the Track Record Period. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates are bank loans as at December 31, 2020 and 2021 and May 31, 2022 that are measured at amortized cost, and the change of market interest rate does not materially expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

Currency Risk

The Group is exposed to currency risk primarily through sales and borrowings which give rise to receivables, cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("**USD**"), Euros ("**EUR**"), and Swiss Franc ("**CHF**").

For more details, please refer to Note 26(d) to the Accountants' Report attached hereto as Appendix I — "Accountants' Report" to this prospectus.

DISTRIBUTABLE RESERVES

As of May 31, 2022, the distributable reserve of the Company (including share premium, exchange reserve and accumulated losses of the Company) amounted to RMB96.5 million.

DIVIDEND POLICY

We may distribute dividends in the form of cash, shares or a combination of cash and shares. Our Board formulates our profit distribution plan based on our results of operations, cash flow, financial condition, future business prospects, statutory and regulatory restrictions on the payment of dividends and other factors that our board deems relevant. All of our Shareholders have equal rights to dividends and other distributions proportionate to their shareholding.

In 2019, 2020, 2021, and the five months ended May 31, 2022, we neither declared nor paid any dividends to our equity holders. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

Our Company does not intend to adopt fixed dividend policy specifying a dividend payout ratio after our Listing. The declaration, payment and amount of dividends will be subject to our discretion. There shall be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Our historical dividends may not be indicative of the amount of our future dividends.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB41.4 million, comprising (i) underwriting commission of approximately RMB3.6 million; and

(ii) non-underwriting-related expenses of approximately RMB37.8 million, including fees and expenses of legal advisors and reporting accountants (approximately RMB25.1 million), the Sole Sponsor (approximately RMB5.3 million), industry consultant (approximately RMB1.1 million), search agents (approximately RMB1.3 million), internal control consultant (approximately RMB0.5 million) and other fees and expenses related to the Listing of approximately RMB4.5 million, representing approximately 34.5% of the gross proceeds from the Global Offering (assuming an Offer Price of HK$0.55, being the mid-point of the indicative Offer Price range, excluding any discretionary incentive fee which may be paid, and that the Over-allotment Option will not be exercised), of which approximately RMB12.0 million is directly attributable to the issue of Shares to the public and to be deducted from equity, and approximately RMB29.4 million has been or is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income. During the Track Record Period, we incurred RMB34.7 million Listing expenses, of which RMB26.9 million was recognized in our consolidated statements of profit or loss and other comprehensive income, and RMB7.8 million is expected to be charged to equity upon Listing. We expect to further incur Listing expenses (including underwriting commission for all Offer Shares) of approximately RMB6.7 million upon the completion of the Global Offering, out of which approximately RMB2.5 million is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income, and approximately RMB4.2 million is expected to be charged to equity upon Listing. Our Directors do not expect such expenses will materially impact our results of operations for 2022. The aforementioned Listing expenses were the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to equity shareholders of our Company as at December 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated financial position of the Group had the Global Offering been completed as at May 31, 2022 or at any future date.

	Consolidated net tangible assets attributable to equity Shareholders of the Company as of May 31, 2022(1)	Estimated net proceeds from the Global Offering(2)(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)(4)(5)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$0.50 per Share . . .	230,549	94,586	325,135	0.33	0.37
Based on an Offer Price of HK$0.60 per Share . . .	230,549	116,391	346,940	0.35	0.40

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2022 is based on the total equity attributable to equity shareholders of the Company of RMB230,770,000 less intangible assets of RMB221,000 as of May 31, 2022, which is extracted from the Accountants' Report as set out in Appendix I to the Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 250,000,000 Shares to be issued at the estimated offer prices of HK$0.50 per Share (being the low-end price) and HK$0.60 per Share (being the high-end price), after deduction of the estimated underwriting fees and other estimated related expenses paid and payable by us of approximately RMB3.6 million and RMB10.9 million, respectively (excluding approximately RMB26.9 million expenses which have been charged to profit or loss up to May 31, 2022), assuming the Over-allotment Option is not exercised.

(3) For illustrative purpose, the estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.8722. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any rates or at all.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares are in issue immediately following the completion of the loan capitalization as mentioned in note 31(a) included in the Accountant's Report set out in Appendix I to this prospectus, Capitalization Issue and the Global Offering as at May 31, 2022, but do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(5) No adjustment has been made to the unaudited pro forma statement of adjusted net tangible assets to reflect any trading results or other transactions entered into subsequent to May 31, 2022.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

The COVID-19 outbreak in early 2020 has materially and adversely affected both the supply and demand side of the global economy. Both the PRC government and the governments of other countries adopted various measures to control and contain the spread of the disease, such as cities lockdown, completely or partially shutting down cross-border businesses and tourism and halting international flights to imposing curfews and banning on mass gatherings.

The COVID-19 outbreak presented challenges to our business and financial conditions in the first half of 2020. In the first half of 2019 and 2020, our revenue decreased from approximately RMB149.2 million to approximately RMB132.6 million, and our sales volume decreased from approximately 453,000 units to 371,000 units. Furthermore, we experienced decrease in revenue generated from regions where our customers experienced difficulties resuming normal business operations as a result of the temporary impact caused by the COVID-19 outbreak. We have also experienced longer trade and bills receivables turnover days, which may lead to an increase in the expected credit loss on our trade and bills receivables. In the second half of 2020, we have been able to recover demand from our customers both in terms of revenue and sales volume and our results of operations have returned to a level prior to the COVID-19 pandemic. For the six months ended December 31, 2020, our overall revenue generated was approximately RMB229.6 million while our total sales volume was approximately 674,000 units, both of which compares similarly to the level we attained before the pandemic when we generated revenue of approximately RMB224.9 million and total sales volume of approximately 765,000 units in the six months ended December 31, 2019. In our overseas market, our overall revenue generated was approximately RMB176.0 million for the six months ended December 31, 2020, representing an increase of 6.0% from the corresponding period in 2019 while our sales volume reached approximately 546,000 units, which was slightly less than the 630,000 units we sold in the corresponding period in 2019. Our overall results of operations in the second half of 2020 indicate that we have returned to a level prior to the COVID-19 pandemic. We have continued to maintain a strong recovery in our results of operations in 2021. In 2021, our overall revenue generated was approximately RMB440.4 million, representing a 21.6% increase from 2020. Furthermore, our sales volume increased from approximately 1,045,000 units for the year ended December 31, 2020 to approximately 1,140,000 units for the year ended December 31, 2021, representing a year-to-year increase of approximately 9.1%.

Recent regional outbreaks of COVID-19 in the PRC

In early 2022, regional outbreaks of COVID-19 hit certain areas in the PRC. In response, local governments in the affected areas imposed various restrictions, including city lockdowns and traffic control across certain regions. In particular, due to the outbreaks of COVID-19 in Ningbo City in January 2022 and Jinhua City in April 2022, restrictions were imposed on transportation between Yongkang City (which is governed by Jinhua City and where our Group is located at) and Ningbo port. Ningbo port is the major port for the delivery of our products to overseas markets. As a result, there was delay in delivery of products to our overseas markets. Although no penalty has ever been imposed on our Group in respect of such delay in delivery, such delay caused adverse impact on our operations as our actual production volume decreased during the affected period. This is because upon the occurrence of the delay in delivery of our products, our Group had to postpone our production schedule to a later stage to (i) prevent overstock of products due to the limited storage space in our manufacturing facility; and (ii) have better management of our cash flow as delay in delivery of products will affect our Group's collection of payment in respect of the relevant orders.

In addition, in February and March 2022, COVID-19 broke out in Baise City, Guangxi Province, the PRC, which is one of the most important production cities of bauxite and aluminum ingot, and large-scale lockdown of Baise City directly impacted the aluminum ingot delivery capability. Further, there were uncertainties on the supply of ancillary raw material to our Group by one of our suppliers located in Shanghai due to the outbreak of COVID-19 in Shanghai in April 2022. In view of such uncertainties which could result in the lack of supply our raw materials and also in support of the disease prevention measures of the local government, we (i) slowed down the production of our manufacturing facility between mid-April to early May 2022 by reducing the number and the operating time of certain machines. During the affected period, we reduced the operating number of our gravity casting machines, low pressure casting machines and machines and equipment in machining phase by approximately 20%, 42% and 28% of the total number of the relevant machines respectively. We also reduced the operating time of the heat treatment furnaces and the painting lines by 20 to 25% respectively; and (ii) arranged closure of our manufacturing facility for inspection and maintenance. Our production volume was adversely affected not only during the closing period but also during the period both before and after the closure, as we informed our customers in advance prior to the closure and it took time for us to resume our operations after the closure. In light of the aforementioned, our revenue decreased from approximately RMB159.5 million for the five months ended May 31, 2021 to approximately RMB149.8 million for the five months ended May 31, 2022, and our sales volume decreased from approximately 455,000 units to approximately 340,000 units for the same periods.

Despite the regional outbreaks of COVID-19 in the PRC in early 2022, our business operation has resumed normal since mid-May 2022 and we had not experienced further slowdown or closure of our manufacturing facility up to the Latest Practicable Date. Based on our unaudited management accounts, our revenue increased by 4.3% from RMB317.2 million to RMB330.9 million and our gross profit increased by 19.6% from RMB53.6 million to RMB64.1 million for the nine months ended September 30, 2021 and 2022.

Having considered that (i) since mid-May 2022, our manufacturing facility has resumed normal operation with sufficient supply of raw material; (ii) the government authorities have put into significant resources and efforts to contain the regional outbreaks of COVID-19 in the PRC and the gradual relaxation of control measures; and (iii) based on our unaudited management accounts, our financial performance for the nine months ended September 30, 2022 has improved compared to the corresponding period in 2021, our Directors believe the regional outbreaks of COVID-19 in the PRC is unlikely to have a material adverse impact on our business, results of operations and financial conditions as a whole in the long term. We will closely monitor the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition.

In view of the ongoing outbreak caused by the pandemic, we have implemented a complete business contingency plan to mitigate the adverse effects brought by the pandemic and tried to keep the disruption of our production to a minimum. The specific measures we took included but not limited to (i) implementing mandatory protection rules whereby all on-site staff were required to wear mask before entering the working area; (ii) requiring our staff to undergo temperature screening at entry of working area; (iii) implementing cleaning and disinfection measures in our manufacturing facility including sanitization and ventilation; and (iv) implementing mandatory spacing rules to prevent unnecessary gathering of our staff. Our business is gradually recovering from the impact from the COVID-19 outbreak, and we believe that our business operations are returning to the normal level prior to the COVID-19 outbreak.

Save as disclosed above in this section, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since May 31, 2022 (being the date of our latest audited financial statements) up to the date of this prospectus and there has been no event since May 31, 2022 up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. In view of the significant impact caused by the COVID-19 pandemic, the local government of Yongkang City provided subsidies in the form of finance loans interest subsidy pursuant to which our Group received an interest discount in the amount of RMB0.5 million for a bank loan we obtained in 2020. Furthermore, pursuant to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises* (關於階段性減免企業社會保險費的通知) issued by the Ministry of Human Resources and Social Security, Ministry of Finance and the State Taxation Administration in February 2020, all enterprises were temporarily exempted from making employer's contributions to the social insurance premiums in light of impact caused by the COVID-19 pandemic. For the year ended December 31, 2020, the exempted amount applicable to our Group pursuant to the policy was approximately RMB2.1 million.