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LUYUAN

绿源

Luyuan Group Holding (Cayman) Limited

綠源集團控股（開曼）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2451)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024;
AND CHANGE IN USE OF PROCEEDS**

The board (the “**Board**”) of directors (the “**Directors**”) of Luyuan Group Holding (Cayman) Limited (the “**Company**” or “**Luyuan**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with comparative figures for the six months ended June 30, 2023 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue amounted to approximately RMB2,533.9 million, representing a period-to-period increase of approximately 3.2%;
- Gross profit amounted to approximately RMB302.9 million, representing a period-to-period increase of approximately 2.5%; and
- Profit for the period amounted to approximately RMB66.0 million, representing a period-to-period increase of approximately 9.6%.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2024

		Six months ended June 30,	
		2024	2023
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	2,533,904	2,454,910
Cost of sales	6	<u>(2,230,962)</u>	<u>(2,159,468)</u>
Gross profit		302,942	295,442
Selling and marketing costs	6	(150,811)	(151,170)
Administrative expenses	6	(52,344)	(47,277)
Research and development costs	6	(91,969)	(77,269)
(Provision)/reversal of impairment on financial assets		(474)	386
Other income	4	38,103	37,925
Other expense	4	(4,761)	(3,247)
Other gains — net	5	<u>13,676</u>	<u>7,751</u>
Operating profit		<u>54,362</u>	<u>62,541</u>
Finance income	7	23,932	12,739
Finance costs	7	<u>(11,412)</u>	<u>(11,073)</u>
Finance income — net	7	<u>12,520</u>	<u>1,666</u>
Share of results of associates		<u>(178)</u>	<u>63</u>
Profit before income tax		<u>66,704</u>	<u>64,270</u>
Income tax expenses	8	<u>(716)</u>	<u>(4,066)</u>
Profit for the period		<u>65,988</u>	<u>60,204</u>
Attributable to the equity holders of the Company		<u>65,988</u>	<u>60,204</u>
Earnings per share for profit attributable to equity holders of the Company			
— Basic (RMB cents per share)	9	16.2	18.8
— Diluted (RMB cents per share)	9	<u>15.9</u>	<u>18.8</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended June 30, 2024

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>65,988</u>	<u>60,204</u>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(4,024)	(60)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax	—	—
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of the Company	<u>4,912</u>	<u>298</u>
Other comprehensive income for the period, net of tax	<u>888</u>	<u>238</u>
Total comprehensive income for the period	<u><u>66,876</u></u>	<u><u>60,422</u></u>
Total comprehensive income attributable to:		
– Equity holder of the Company	66,876	60,442
– Non-controlling interests	—	—
	<u><u>66,876</u></u>	<u><u>60,442</u></u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

At June 30, 2024

		As at June 30, 2024	As at December 31, 2023
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,090,812	958,641
Right-of-use assets		140,790	96,492
Intangible assets		699	1,068
Investments in associates		1,339	1,517
Deferred income tax assets		22,992	11,836
Other receivables and prepayments	12	133,048	127,698
Time deposits		30,000	30,000
Trade and lease receivables	11	2,229	4,543
		1,421,909	1,231,795
Current assets			
Inventories	10	342,307	254,028
Trade and notes and lease receivables	11	430,286	218,955
Other receivables and prepayments	12	252,502	202,992
Financial assets at fair value through profit or loss		459,697	545,326
Debt instruments at fair value through other comprehensive income		18,296	31,637
Time deposits		272,672	213,800
Restricted cash		220,100	168,980
Cash and cash equivalents		1,160,155	994,968
		3,156,015	2,630,686
Total assets		4,577,924	3,862,481
Net current assets		689,866	801,603

		As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
OWNERS' EQUITY			
Share capital		305	305
Share premium		688,457	688,457
Other reserves		248,747	279,805
Retained earnings		624,986	558,998
		<hr/>	<hr/>
Capital and reserve attributable to equity holders of the Company		1,562,495	1,527,565
		<hr/>	<hr/>
Total equity		1,562,495	1,527,565
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	15	514,200	477,319
Provisions		4,118	3,395
Lease liabilities		8,195	4,061
Deferred income		22,767	21,058
		<hr/>	<hr/>
		549,280	505,833
		<hr/>	<hr/>
Current liabilities			
Trade and notes and other payables	14	1,872,497	1,552,893
Contract liabilities		114,256	82,710
Borrowings	15	447,819	166,027
Provisions		7,703	6,560
Lease liabilities		3,223	3,308
Income tax liabilities		20,651	17,585
		<hr/>	<hr/>
		2,466,149	1,829,083
		<hr/>	<hr/>
Total liabilities		3,015,429	2,334,916
		<hr/>	<hr/>
Total equity and liabilities		4,577,924	3,862,481
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The ultimate holding companies of the Company are Apex Marine Investments Limited, Drago Investments Limited, and Best Expand Holdings Limited, which are incorporated in the British Virgin Islands, and the ultimate controlling shareholders of the Company are Mr. Ni Jie and Ms. Hu Jihong (the "Controlling Shareholders").

The condensed consolidated interim financial statements are presented in RMB (RMB'000), unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on August 30, 2024.

This condensed consolidated interim financial information has not been audited or reviewed.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

This interim financial statements for the six months ended June 30, 2024 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 — Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information and disclosures in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Change in accounting policies and disclosures

New and amended standards of HKFRSs effective from January 1, 2024

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	January 1, 2024
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024

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

Certain new accounting standards, amendments and interpretation have been published that are not mandatory for the six months ended June 30, 2024 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKFRS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

3 REVENUE AND SEGMENT REPORTING

3.1 Disaggregation of revenue from contract with customers

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of goods	2,512,539	2,424,664
Revenue from services	21,365	30,246
	<u>2,533,904</u>	<u>2,454,910</u>
Timing of revenue recognition		
At point in time	2,512,539	2,424,664
Over time	21,365	30,246
	<u>2,533,904</u>	<u>2,454,910</u>

Information about major customers

For the six months ended June 30, 2023 and 2024, no individual customer's revenue contributed over 10% of the Group's revenue.

3.2 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

For management purposes, the Group is not organized into business units based on their products and services, the Group has only one reportable operating segment which is engaged in the development, manufacture and sale of electric vehicles and related accessories. Accordingly, no segment information is presented.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sales of electric vehicles in the PRC and over 90% of the Group's non-current assets and liabilities were located in the PRC, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

4 OTHER INCOME AND EXPENSE

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Income from obsolete material and work in progress	4,239	3,345
Rental income from operating lease	1,081	138
Interest income from time deposits	871	836
Interest income from financing lease and long-term receivables	416	576
Government grants (<i>Note</i>)	27,149	30,850
Others	4,347	2,180
	<u>38,103</u>	<u>37,925</u>
Other expense		
Cost of obsolete material and work in progress	(2,461)	(2,605)
Others	(2,300)	(642)
	<u>(4,761)</u>	<u>(3,247)</u>

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

5 OTHER GAINS — NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gains	5,005	20
Fair value changes on financial assets at fair value through profit or loss	11,806	8,512
Gains/(losses) on disposal of property, plant and equipment and right-of-use assets	110	(169)
Losses on disposal of financial assets at fair value through other comprehensive income	(3,217)	(749)
Others — Net	(28)	137
	<u>13,676</u>	<u>7,751</u>

6 EXPENSES BY NATURE

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Raw materials and consumables used	2,067,992	2,000,316
Employee benefits expenses	179,455	144,319
Advertising expense	51,835	63,502
Outsourcing labor fee	65,649	77,748
Freight	10,648	17,938
Travel expense	19,697	17,932
Consulting costs	15,169	7,774
Depreciation of property, plant and equipment	49,373	42,740
Amortization of intangible assets	443	476
Depreciation of right-of-use assets	4,850	2,108
Expense relating to short-term leases or low value leases	2,003	3,163
Design fee	17,473	14,696
Warranty	7,092	7,061
Tax and surcharges	15,120	8,914
Office expense	7,131	8,704
Expense relating to listing	—	3,029
Auditors' remuneration		
— Audit services	1,245	1,305
— Non-audit services	494	173
Other expenses	10,417	13,286
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and research and development costs	2,526,086	2,435,184
	<hr/> <hr/>	<hr/> <hr/>

7 FINANCE INCOME — NET

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance costs		
— Interest on bank loans and other loans	(11,246)	(10,965)
— Interest on lease liabilities	(166)	(108)
	<u>(11,412)</u>	<u>(11,073)</u>
Total finance costs	<u>(11,412)</u>	<u>(11,073)</u>
Finance income		
— Interest income on bank deposits	23,932	12,739
	<u>23,932</u>	<u>12,739</u>
Net finance income	<u>12,520</u>	<u>1,666</u>

8 INCOME TAX EXPENSES

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC corporate income tax	11,872	805
Deferred income tax	(11,156)	3,261
	<u>716</u>	<u>4,066</u>
Total income tax expenses	<u>716</u>	<u>4,066</u>

The general corporate income tax (CIT) rate in the mainland China is 25% during the six months ended June 30, 2023 and 2024 except that two subsidiaries apply the income tax rate of 15% pertaining to their high-tech certificate and two subsidiaries enjoy preferential income tax rate for small low-profit enterprises.

According to the applicable PRC tax regulations, dividends distributed by a company established in the mainland China to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The Group controls the dividend policies of its subsidiaries, therefore, no deferred income tax for PRC withholding income tax was recognized on the unremitted distributable profits for its mainland China subsidiaries attributable to the investors outside the mainland China.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each period.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company <i>(RMB’000)</i>	<u>65,988</u>	<u>60,204</u>
Weighted average number of shares in issue <i>(in thousand)</i>	407,352	320,000
Basic earnings per share <i>(RMB cents per share)</i>	<u>16.2</u>	<u>18.8</u>

(b) Diluted earnings per share

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

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

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company <i>(RMB’000)</i>	<u>65,988</u>	<u>60,204</u>
Weighted average number of ordinary shares in issue <i>(in thousand)</i>	407,352	320,000
Adjustments for share based compensation — Options under the Pre-IPO Share Scheme <i>(in thousand)</i>	<u>6,887</u>	<u>—</u>
Weighted average number of ordinary shares for the calculation of diluted EPS <i>(in thousand)</i>	414,239	320,000
Diluted earnings per share <i>(RMB cents per share)</i>	<u>15.9</u>	<u>18.8</u>

10 INVENTORIES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Raw materials	73,121	61,237
Work in progress	23,970	22,365
Finished goods	243,348	168,665
Goods in transit	1,868	1,761
	<u>342,307</u>	<u>254,028</u>

No inventory provision was made for the six months ended June 30, 2023 and 2024.

During the six months ended June 30, 2023 and 2024, inventories recognized as cost of sales amounted to approximately RMB2,000,316,000 and RMB2,067,992,000 respectively.

11 TRADE AND NOTES AND LEASE RECEIVABLES

(a) Trade receivables — current and notes receivables

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Trade receivables — current	408,827	199,565
Less: Provision for impairment of receivables — current	<u>(23,537)</u>	<u>(19,727)</u>
	<u>385,290</u>	<u>179,838</u>
Notes receivables	39,740	29,790
Less: Provision for impairment of receivables	<u>(37)</u>	<u>(112)</u>
	<u>39,703</u>	<u>29,678</u>
	<u>424,993</u>	<u>209,516</u>

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Less than 1 year	368,199	159,912
Between 1 and 2 years	16,583	29,745
Between 2 and 3 years	14,105	2,327
Over 3 years	9,940	7,581
	<u>408,827</u>	<u>199,565</u>

(b) Lease receivables

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Finance lease receivables — current	5,440	9,700
Finance lease receivables — non-current	<u>—</u>	<u>—</u>
	<u>5,440</u>	<u>9,700</u>
Less: Provision for impairment of receivables — current	(147)	(261)
Less: Provision for impairment of receivables — non-current	<u>—</u>	<u>—</u>
	<u>(147)</u>	<u>(261)</u>
	<u><u>5,293</u></u>	<u><u>9,439</u></u>

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Less than 1 year	5,440	9,700
Over 1 year	—	—
	<u>5,440</u>	<u>9,700</u>

(c) Trade receivables — non-current

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade receivables — non-current	2,290	4,669
Less: Provision for impairment of receivables — non-current	<u>(61)</u>	<u>(126)</u>
	<u>2,229</u>	<u>4,543</u>

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Less than 1 year	2,290	4,669
Over 1 year	—	—
	<u>2,290</u>	<u>4,669</u>

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

12 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Non-current		
Prepayments for construction and equipment	46,011	20,977
Deposits	5,099	1,512
Payment of decoration costs	82,075	105,250
Less: Provision for impairment of other receivables	(137)	(41)
	<u>133,048</u>	<u>127,698</u>
Current		
Prepayments for raw materials	28,962	17,436
Prepaid expenses	85,329	64,591
Prepaid taxes and surcharges and input VAT to be deducted	6,669	11,327
Receivables from disposal of land use rights	17,000	20,000
Loans to third parties	3,358	3,358
Deposits	1,257	1,320
Payment of decoration costs	122,302	104,403
Others	15,204	11,099
Less: Provision for impairment of other receivables	(27,579)	(30,542)
	<u>252,502</u>	<u>202,992</u>
	<u><u>385,550</u></u>	<u><u>330,690</u></u>

13 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended June 30, 2023 and 2024.

14 TRADE AND NOTES AND OTHER PAYABLES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Trade payables	588,861	445,558
Notes payable	1,026,100	895,700
Other tax payables	45,360	61,577
Payable for construction and equipment	100,554	32,942
Deposits	10,529	12,270
Accrued expenses	36,785	38,776
Accrued payroll	48,780	63,275
Unfulfilled government grants	9,967	—
Others	5,561	2,795
	<u>1,872,497</u>	<u>1,552,893</u>

The ageing analysis of trade payables based on invoice date as at December 31, 2023 and June 30, 2024 are as follows:

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Less than 1 year	571,605	430,663
Between 1 and 2 years	5,704	6,121
Between 2 and 3 years	4,747	3,175
Over 3 years	6,805	5,599
	<u>588,861</u>	<u>445,558</u>

As at December 31, 2023 and June 30, 2024, the fair value of trade and notes and other payables approximate their carrying amounts.

As at December 31, 2023 and June 30, 2024, the carrying amounts of trade and notes and other payables are denominated in RMB, USD and HKD.

15 BORROWINGS

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Borrowings included in non-current liabilities:		
— Bank loans — secured	445,000	435,119
— Bank loans — unsecured	<u>99,900</u>	<u>48,800</u>
Less: Current portion of long-term borrowings		
— Bank loans — secured	(29,500)	(5,400)
— Bank loans — unsecured	<u>(1,200)</u>	<u>(1,200)</u>
Total non-current borrowings	<u>514,200</u>	<u>477,319</u>
Borrowings included in current liabilities:		
— Bank loans — secured	10,619	10,427
— Bank loans — unsecured	140,000	30,000
— Other borrowings	<u>266,500</u>	<u>119,000</u>
Add: Current portion of long-term borrowings		
— Banks loans — secured	29,500	5,400
— Bank loans — unsecured	<u>1,200</u>	<u>1,200</u>
Total current borrowings	<u>447,819</u>	<u>166,027</u>
Total borrowings	<u>962,019</u>	<u>643,346</u>

BUSINESS REVIEW AND OUTLOOK

Business Review

The electric two-wheeled vehicle market is poised for steady growth, driven by factors such as the New National Standard policy, natural replacement cycles, trade-in policies, as well as advancements in smart technologies. The rapid expansion of commercial applications like on-demand delivery and shared mobility services has also accelerated vehicle purchase and replacement cycles, creating additional market demand. As the industry matures, competition is shifting from price-based to quality-focused, with leading brands leveraging product innovation and distinctive designs to drive sales growth and enhance brand value.

In this evolving landscape, the Group continued to deliver robust financial and operational performance in the first half of 2024. The Group's revenue increased by approximately 3.2% from RMB2,454.9 million for the six months ended June 30, 2023 to RMB2,533.9 million for the same period in 2024, primarily driven by the continuous growth in its sales volume. The Group also recorded stable growth in net profit by approximately 9.6% from RMB60.2 million for the six months ended June 30, 2023 to RMB66.0 million for the same period in 2024, mainly attributable to the Group's uplifted sales volume of products that are newly launched or upgraded based on advanced technologies and insights of end-users, increasing economies of scale and expansion of the Group's distribution network.

Research and Development

The Group remains committed to positioning itself at the forefront of technological advancements in the electric two-wheeled vehicle industry. As of June 30, 2024, the Group held 623 patents, leading the industry in invention patents. The Group's research and development efforts are firmly rooted in addressing the progressive needs of users, focusing on vehicle durability, safety and battery life, and smart features. To meet these needs, the Group has consistently invested in five core systems: the liquid-cooled motor system, solid-state electrical system, digital battery maintenance system, safety driving system, and intelligent connectivity system.

During the first half of 2024, the Group continued to invest in research and development across the core systems of electric two-wheeled vehicles, further solidifying its technological barriers in liquid-cooled electric vehicles to enhance durability. Research and development costs of the Group increased by approximately 19.0% from RMB77.3 million for the six months ended June 30, 2023 to RMB92.0 million for the same period in 2024. Notably, in the first half of 2024, the Group had 38 new patent applications and received 76 new patent grants.

Products

In response to evolving customer preferences and increasing market competition, the Group continues to enhance its diverse product matrix. Leveraging its strong product development capabilities and external collaboration resources, the Group has established a multi-faceted product portfolio based on demographic preferences, meeting the needs of various usage scenarios. The Group's product portfolio comprehensively covers low-, mid-, and high-end models, with a strategic focus on the mid-to-high-end market.

During the Reporting Period, the Group launched over 20 new products, including industry-leading models such as the S90, Moda8, and Cola10. These products have gained enthusiastic market reception due to their exceptional quality, fashionable design, and competitive pricing, thereby enhancing brand recognition and customer reputation.

The Group continued to drive product technology innovation. The S90, the Group's new flagship product introduced in January 2024 and equipped with digital battery technology was met with widespread acclaim. Subsequently, in May 2024, the Group progressively introduced more product series featuring this digital battery technology.

Production

The Group strives for the advancement of its capabilities in production and quality control. As of June 30, 2024, the Group operates three strategically located and highly automated production plants in Zhejiang (Jinhua), Guangxi (Guigang), and Shandong (Linyi), each featuring advanced manufacturing capabilities and significant production capacity.

The implementation of the IPD (integrated product development) system in 2023 has had a significant impact on the Group's production capabilities. By standardizing components and platformizing vehicle frames and power systems, the Group has not only reduced complexity in the production process but also increased overall efficiency. The improvement in production assembly efficiency by approximately 30% has allowed the Group to better meet market demand, reduce costs, and contribute to the Group's strong financial performance during the Reporting Period.

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

Customers and Sales Channels of the Group

During the Reporting Period, the Group continued to improve its multi-dimensional channel layout, strengthen online-offline synergy, and enhance end-to-end retail capabilities. Recognizing that offline distribution remains the primary sales channel for electric two-wheeled vehicles in the domestic market at this stage, the Group continued to strengthen its foothold in the PRC market by further expanding its extensive distribution network. As of June 30, 2024, the Group's offline distribution network had covered 325 cities in 31 provincial-level administrative regions across mainland China, comprising 1,210 distributors and over 13,000 offline retail outlets.

Complementing its offline presence, the Group has established online stores on mainstream e-commerce platforms such as Tmall and JD.com. During the Reporting Period, the Group actively integrated its offline and online channels through its ERP (enterprise resource planning) system, promoting a new retail model where customers can place orders online and test-drive or pick up their vehicles at physical stores. This integration enhances the customer experience by combining the convenience of online shopping with the tangibility of offline services.

The rapid growth of e-commerce, food delivery, and on-demand services has driven strong demand for electric two-wheeled vehicles due to their flexibility and efficiency. Simultaneously, ongoing urbanization has increased the need for last-mile mobility solutions, particularly shared mobility services. This trend aligns with current government policies promoting the use and development of shared mobility as a sustainable and eco-friendly mobility solution. Capitalizing on these trends, the Group has actively engaged various corporate and institutional customers, including shared mobility service providers, on-demand e-commerce companies and logistics companies, resulting in significant partnerships with industry leaders. In 2023, the Group formed a strategic cooperation relationships with Hello Bike (哈囉單車). Subsequently in 2024, the Group became the primary supplier of electric two-wheeled vehicles to DiDi Bike (滴滴青桔) and established a partnership with Meituan (美團). These collaborations position the Group as the only electric two-wheeled vehicle manufacturer collaborating closely with all three leading players in the shared mobility services industry. In the first half of 2024, the Group's sales volume to corporate and institutional customers reached approximately 420 thousands units, exceeding the whole year sales volume for the year ended December 31, 2023.

During the Reporting Period, the Group expanded its international presence, adding 37 new international clients and entering 16 new countries. To boost brand awareness, the Group actively participated in international exhibitions, including the Indonesia exhibition and the spring Canton Fair. The Group has made significant progress in the Southeast Asian market, advancing battery and vehicle certification processes, initiated operations in South Asian countries along the Belt and Road Initiative, and begun research for potential expansion into European and American markets. These efforts position the Group for continued international growth and revenue diversification.

Marketing

Throughout the Reporting Period, the Group closely adhered to its differentiated marketing campaign title of “*A Ten-Year Ride*” (一部車騎十年) and strengthened in-depth interactions with consumers, leveraging a variety of marketing vehicles across traditional and new media channels to enhance visibility and recognition of its “*Luyuan*” brand. A case in point would be the Group’s enhanced focus on variety show entertainment marketing. By partnering with popular shows such as *Become a farmer* (《種地吧》), the Group extended its reach through social media engagement and e-commerce platforms, around which the Group has launched and will continue to create and launch various marketing campaigns.

Outlook

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

- *Enhancing the Group’s research and development capabilities.* The Group is committed to advancing its core technologies, with a particular focus on battery digitalization. On July 2, 2024, the Group shared a breakthrough in its independently developed digital battery technology. This technology utilizes an advanced digital management system with high-precision sensors and intelligent algorithms to monitor and optimize battery performance in real-time. The Group plans to further enhance this system, which offers improved thermal management and low-temperature operation capabilities, aiming to extend battery life and address safety concerns. Additionally, the Group intends to continue expanding its product offerings and is actively building its technical reserves for battery swapping, preparing for future advancements in this area.
- *Enhancing production capacity.* The Group will continue the construction of the Chongqing Plant in 2024. The Group expects the production capacity of this new production facility to incrementally increase up to approximately 2.0 million units annually by 2026.

- *Enhancing brand awareness.* The Group will continue to focus on its differentiated strategic positioning of “A Ten-Year Ride” (一部車騎十年), strengthening in-depth interactions with consumers and enhancing content marketing to deepen brand impressions. The Group will leverage its proven success in entertainment marketing to expand its appeal among young users, particularly through targeted branding campaigns on campuses. Additionally, the Group plans to elevate brand awareness through strategic co-branding with other well-known brands. To promote and reinforce the Group’s brand image of reliability and innovation, the Group plans to strategically launch a nation-wide trade-in campaign to expand the user base for its electric two-wheeled vehicles equipped with digital battery maintenance system, thereby showcasing the quality, durability and technological advantages of the Group’s products. Further, as a pledge of quality and durability of its products, the Group will continue to provide consumers with quality assurance that exceeds the industry level.
- *Upgrading, expanding and optimizing the layout of the Group’s sales and distribution network.* The Group attempts to bring online traffic to its physical retail outlets by leveraging various marketing vehicles including social media to carry out branding and promotion activities. The Group will also launch new products to satisfy the needs of different market segments and provide competitive product matrix for different regions. The Group plans to further support and motivate distributors to operate additional retail outlets or develop sub-distributors, especially in Eastern China and Central and Southern China.
- *Expanding the Group’s business in international markets.* The Group will implement localization strategies in key overseas markets such as Indonesia, Thailand, Malaysia, and India. Leveraging its core technological advantages, the Group aims to introduce its diverse range of medium and high-speed electric motorcycles to the international market. The Group will also promote innovative cooperation in Europe and the United States to enhance its brand potential, and develop products that meet local consumers’ needs.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group recorded revenue of RMB2,533.9 million for the six months ended June 30, 2024, representing an increase of approximately 3.2% from RMB2,454.9 million for the same period in 2023, primarily due to the increase in revenue contribution from sales of electric bicycles.

	For the six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Types of products				
Electric bicycles	1,545,677	61.0	1,235,643	50.3
Electric scooters ⁽¹⁾	345,017	13.6	571,420	23.3
Batteries ⁽²⁾	512,052	20.2	535,531	21.8
Electric two-wheeled vehicle parts ⁽³⁾	103,955	4.1	81,754	3.4
Others	5,838	0.2	316	0.0
<i>Subtotal</i>	<u>2,512,539</u>	<u>99.2</u>	<u>2,424,664</u>	<u>98.8</u>
Types of services				
Training services	9,813	0.4	19,195	0.8
Others	11,552	0.5	11,051	0.5
<i>Subtotal</i>	<u>21,365</u>	<u>0.8</u>	<u>30,246</u>	<u>1.2</u>
Total	<u><u>2,533,904</u></u>	<u><u>100.0</u></u>	<u><u>2,454,910</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Representing electric motorcycles and electric mopeds. The revenue and sales volume of electric mopeds represent a relatively small portion of the Group's total revenue and sales volume, thus the revenue of electric mopeds has been grouped together with that of electric motorcycles.
- (2) Representing batteries sold together with the Group's electric two-wheeled vehicles.
- (3) Representing vehicle parts, such as tires and batteries, sold separately to distributors for their provision of after-sales services to end customers.

Revenue from sales of electric bicycles increased by approximately 25.1% from RMB1,235.6 million for the six months ended June 30, 2023 to RMB1,545.7 million for the same period in 2024, primarily due to the enhanced competitiveness of the Group's products as a result of the Group's leading research and development and customization capabilities which led to an increase in the sales volume of electric bicycles by approximately 32.2% and in particular, a significant increase in the sales of electric bicycles to corporate and institutional clients.

Revenue from sales of electric scooters decreased by approximately 39.6% from RMB571.4 million for the six months ended June 30, 2023 to RMB345.0 million for the same period in 2024, primarily due to a decrease in the sales volume of electric mopeds by approximately 29.9% as a result of the lasting effects the implementation of the Safety Technical Specification for Electric Bicycle (GB17761-2018) (《電動自行車安全技術規範》(GB17761-2018)) in 2019 which resulted in a continuous decline in consumer demand for electric mopeds. Such decrease was generally in line with the industry trend.

Revenue from sales of batteries decreased by approximately 4.4% from RMB535.5 million for the six months ended June 30, 2023 to RMB512.1 million for the same period in 2024, primarily due to the change in product mix.

Cost of Sales

Cost of sales of the Group increased by approximately 3.3% from RMB2,159.5 million for the six months ended June 30, 2023 to RMB2,231.0 million for the same period in 2024, primarily in line with the Group's business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit of the Group increased by approximately 2.5% from RMB295.4 million for the six months ended June 30, 2023 to RMB302.9 million for the same period in 2024.

In the highly competitive industry of electric two-wheeled vehicles, the gross profit margin of the Group remained stable at approximately 12.0% for both the six months ended June 30, 2023 and 2024, primarily attributable to the Group's enhanced product competitiveness and manufacturing efficiency through successful application of core technologies.

Selling and Marketing Costs

Selling and marketing costs of the Group remained relatively stable at RMB151.2 million and RMB150.8 million for the six months ended June 30, 2023 and 2024, respectively.

Administrative Expenses

Administrative expenses of the Group increased by approximately 10.7% from RMB47.3 million for the six months ended June 30, 2023 to RMB52.3 million for the same period in 2024, primarily attributable to an increase in share-based payments as a result of share incentives granted to senior talents hired as well as an increase in consulting costs.

Research and Development Costs

Research and development costs of the Group increased by approximately 19.0% from RMB77.3 million for the six months ended June 30, 2023 to RMB92.0 million for the same period in 2024, primarily attributable to an increase in share-based payments as a result of share incentives granted to senior talents hired and an increase in the number of research and development staff of the Group.

(Provision)/Reversal of Impairment on Financial Assets

The Group recognized a reversal of impairment on financial assets of approximately RMB386,000 for the six months ended June 30, 2023 while it recognized a provision of impairment on financial assets of approximately RMB474,000 for the same period in 2024.

Other Income

Other income of the Group remained relatively stable at RMB37.9 million and RMB38.1 million for the six months ended June 30, 2023 and 2024, respectively.

Other Expense

Other expense of the Group increased by approximately 46.6% from RMB3.2 million for the six months ended June 30, 2023 to RMB4.8 million for the same period in 2024, primarily attributable to the increase in the depreciation of the equipment under operating lease of the Group.

Other Gains — Net

Other gains — net of the Group increased by approximately 76.4% from RMB7.8 million for the six months ended June 30, 2023 to RMB13.7 million for the same period in 2024, primarily due to (i) net gains on fair value changes on financial assets at fair value through profit or loss, representing gains on the Group's investments in certificate of deposits and (ii) the increased exchange gains, partially offset by (iii) increased losses on disposal of debt instruments at fair value through other comprehensive income.

Finance Income — Net

Finance income — net of the Group increased significantly by approximately 651.5% from RMB1.7 million for the six months ended June 30, 2023 to RMB12.5 million for the same period in 2024, primarily due to an increase in interest income on bank deposits derived from operating cash inflows and the net proceeds (the “**Net Proceeds**”) from the Global Offering (as defined in the prospectus of the Company dated September 28, 2023 (the “**Prospectus**”)).

Income Tax Expenses

Income tax expenses of the Group decreased by approximately 82.4% from RMB4.1 million for the six months ended June 30, 2023 to RMB0.7 million for the same period in 2024. This decrease was primarily attributable to the impact of deferred income tax.

Profit for the Period

As a result of the foregoing, profit for the period of the Group increased by approximately 9.6% from RMB60.2 million for the six months ended June 30, 2023 to RMB66.0 million for the six months ended June 30, 2024.

Inventories

The Group’s inventories consist of raw materials, work in progress, finished goods and goods in transit. The Group’s inventories increased by approximately 34.8% from RMB254.0 million as of December 31, 2023 to RMB342.3 million as of June 30, 2024, primarily due to the increase in inventory level to mitigate the impact of fluctuations in upstream raw material prices.

Trade Receivables

As of June 30, 2024, trade receivables of the Group amounted to RMB387.5 million, representing an increase of approximately 110.2% as compared with RMB184.4 million as of December 31, 2023. The increase was primarily due to the increase in credit sales to corporate and institutional customers.

Other Receivables and Prepayments

The Group’s other receivables and prepayments increased by approximately 16.6% from RMB330.7 million as of December 31, 2023 to RMB385.6 million as of June 30, 2024, primarily due to the increases in prepayments for construction and equipment, product mould and design fees.

The other receivables and prepayments of the Group include, among others, loans to third parties. Loans to third parties, representing loans to certain distributors to support their normal business operations, amounted to RMB3.4 million as of December 31, 2023 and remained unchanged as of June 30, 2024.

The Directors are of the view that the terms of the relevant loan agreements were of normal commercial terms, fair and reasonable and the granting of these loans was in the interests of the Company and the shareholders of the Company (the “Shareholders”) as a whole.

Property, Plant and Equipment

The Group’s property, plant and equipment consist of buildings, machinery and equipment, office equipment, motor vehicles, construction in progress and decoration and leasehold improvement. Property, plant and equipment of the Group increased by approximately 13.8% from RMB958.6 million as of December 31, 2023 to RMB1,090.8 million as of June 30, 2024, primarily due to the increase in construction in progress as a result of the commencement of construction of the Chongqing Plant in 2024.

Right-of-use Assets

Right-of-use assets of the Group increased by approximately 45.9% from RMB96.5 million as of December 31, 2023 to RMB140.8 million as of June 30, 2024, primarily attributable to the acquisition of state-owned construction land use rights for a parcel of land in Dazu District, Chongqing City, PRC for the purpose of constructing the Chongqing Plant by the Group as disclosed in the announcement of the Company dated March 1, 2024.

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

The financial assets at FVTPL held by the Group mainly comprise certificate of deposits. The balance of financial assets at FVTPL decreased by approximately 15.7% from RMB545.3 million as of December 31, 2023 to RMB459.7 million as of June 30, 2024, primarily attributable to the redemption of certain large-sum certificate of deposits upon maturity.

Trade Payables

As of June 30, 2024, trade payables of the Group amounted to RMB588.9 million, representing an increase of approximately 32.2% as compared with RMB445.6 million as of December 31, 2023, which was primarily due to the increase in purchase of raw materials in response to fluctuations in upstream raw material prices.

Capital Structure

The total assets of the Group increased by approximately 18.5% from RMB3,862.5 million as of December 31, 2023 to RMB4,577.9 million as of June 30, 2024. The total liabilities of the Group increased by approximately 29.1% from RMB2,334.9 million as of December 31, 2023 to RMB3,015.4 million as of June 30, 2024. Total liabilities-to-assets ratio increased from approximately 60.5% as of December 31, 2023 to approximately 65.9% as of June 30, 2024. The current ratio of the Group, being current assets divided by current liabilities as of the respective date, decreased slightly from 1.4 times as of December 31, 2023 to 1.3 times as of June 30, 2024.

Liquidity, Financial Resources and Gearing Ratio

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

For the Reporting Period, the Group financed its operations primarily through cash and cash equivalents, cash flows from operating activities, available bank loans and banking facilities, and the Net Proceeds. The Group's primary uses of cash are to satisfy its working capital and capital expenditure needs. The Group mainly utilized its cash on payments on staff costs, purchases for services and materials and other working capital needs. Cash and cash equivalents of the Group increased by approximately 16.6% from RMB995.0 million as of December 31, 2023 to RMB1,160.2 million as of June 30, 2024, primarily attributable to the Net Proceeds and cash generated from operations. During the Reporting Period, the Group did not use any financial instrument for hedging purposes and did not have any outstanding hedging instruments as of June 30, 2024.

Gearing ratio is calculated by total debt, comprising borrowings and lease liabilities, divided by total equity as of the same date and multiplied by 100%. The gearing ratio of the Group increased from approximately 42.6% as of December 31, 2023 to approximately 62.3% as of June 30, 2024, primarily due to the increase in short-term borrowings for the purpose of capital resource management.

As of June 30, 2024, the Group had interest-bearing bank and other borrowings of RMB962.0 million (as of December 31, 2023: RMB643.3 million), representing approximately 31.9% (as of December 31, 2023: 27.6%) of its total liabilities as of the same date. All of the borrowings of the Group are denominated in Renminbi. There is generally no seasonality of borrowing requirements of the Group. Of all the borrowings of Group as of June 30, 2024, RMB447.8 million (as of December 31, 2023: RMB166.0 million) were repayable within one year and RMB514.2 million (as of December 31, 2023: RMB477.3 million) were repayable beyond one year. The Group's bank borrowings amounting to RMB449.9 million as of June 30, 2024 (as of December 31, 2023: RMB279.8 million) were borrowings with fixed interest rates.

As of June 30, 2024, banking facilities of the Group totaling RMB2,455.0 million (as of December 31, 2023: RMB1,665.0 million) were utilized to the extent of RMB1,245.5 million (as of December 31, 2023: RMB921.6 million).

Capital Expenditures

The capital expenditures of the Group decreased by approximately 9.7% from RMB154.5 million for the six months ended June 30, 2023 to RMB139.6 million for the same period in 2024. The Group's capital expenditures are primarily used for the expansion of its production capacities, including the construction of additional production facilities and the upgrading of its existing machinery and equipment. The Group finances its capital expenditures through cash generated from operations, bank loans and the Net Proceeds.

Foreign Exchange Risk and Hedging

The Group operates in the PRC with most of the transactions settled in Renminbi. Foreign currency risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to U.S. dollar and Hong Kong dollar.

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

Human Resources

As of June 30, 2024, the Group had 2,977 employees. Total staff costs, including employee benefits expenses, outsourcing labor fee and directors' remuneration, were RMB245.1 million for the Reporting Period, representing an increase of approximately 10.4% from RMB222.1 million for the six months ended June 30, 2023. Such increase was primarily due to an increase in share-based payments as a result of share incentives granted to senior talents hired.

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

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

As of June 30, 2024, (i) share options which corresponded to an aggregate of 16,736,000 underlying Shares, representing approximately 3.92% of the total issued Shares (excluding treasury Shares (as defined under the Listing Rules)) as of June 30, 2024, had been granted to 108 Eligible Participants (as defined in the Prospectus) and remained outstanding under the Pre-IPO Share Scheme; and (ii) no share awards or share options had been granted or agreed to be granted under the Post-IPO Share Scheme. Further details of the Pre-IPO Share Scheme and Post-IPO Share Scheme are set out in the sections headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Scheme” and “Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Scheme” in Appendix IV to the Prospectus respectively.

Details of the Pre-IPO Awards (as defined in the Prospectus) granted under the Pre-IPO Share Scheme during the six months ended June 30, 2024 are set out below:

Name/Category of the grantees	Outstanding options as at January 1, 2024 ^{Note 1}	Options granted during the Reporting Period ^{Note 2}	Date of grant	Exercised during the Reporting Period ^{Note 3}	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Number of outstanding Shares underlying the options granted as at June 30, 2024	Exercise price ^{Note 4} (HKD)	Vesting period	Exercise period ^{Note 4}
Director										
Chen Guosheng	1,726,600	—	July 20, 2023	—	—	—	1,726,600	—	See Note 5	From the date that is six months after the Listing Date (as defined below) to July 19, 2033
Subtotal	1,726,600	—		—	—	—	1,726,600			
Five highest paid individuals										
Five highest paid individuals during the Reporting Period in aggregate ^{Note 7}	4,366,200	—	July 20, 2023	—	—	—	4,366,200	—	See Note 5	From the date that is six months after the Listing Date to July 19, 2033
Subtotal	4,366,200	—		—	—	—	4,366,200			
Other employees of the Company										
Other grantees in aggregate (excluding the five highest paid individuals during the Reporting Period as disclosed above)	12,369,800	—	July 20, 2023	—	—	—	12,369,800	—	See Note 5	From the date that is six months after the Listing Date to July 19, 2033
Subtotal	12,369,800	—		—	—	—	12,369,800			
Total	16,736,000	—		—	—	—	16,736,000			

Notes:

- (1) Representing the number of the underlying Shares corresponding to the share options granted after the Capitalization Issue (as defined in the Prospectus).
- (2) As no further options will be granted under the Pre-IPO Share Scheme after October 12, 2023 (the “**Listing Date**”), no options were granted under the Pre-IPO Share Scheme during the Reporting Period. Accordingly, particulars of options granted during the Reporting Period, including (i) the number of such options, (ii) the date of grant, (iii) the vesting period, exercise period, exercise price and performance targets, (iv) the closing price of the Shares immediately before the date on which the options were granted, and (v) the fair value of options at the date of grant and the accounting standard and policy adopted are not available.
- (3) As no options were exercised during the Reporting Period, the weighted average closing price of the Shares immediately before the date on which the options were exercised under the Pre-IPO Share Scheme is not available.
- (4) To align with the purposes of the Pre-IPO Scheme to remunerate, incentivize, retain, reward, compensate and/or provide benefits to Pre-IPO Eligible Participants, the exercise price of the options under the Pre-IPO Share Scheme has been determined as nil.

- (5) The share options granted under the Pre-IPO Share Scheme are to vest in accordance with the following vesting schedule: (a) 10% of the share options are to vest on the first anniversary of the Pre-IPO Scheme Adoption Date (as defined in the Prospectus); (b) 20% of the share options are to vest on the second anniversary of the Pre-IPO Scheme Adoption Date; (c) 30% of the share options are to vest on the third anniversary of the Pre-IPO Scheme Adoption Date; and (d) 40% of the share options are to vest on the fourth anniversary of the Pre-IPO Scheme Adoption Date.
- (6) Only vested options shall be exercisable under the Pre-IPO Share Scheme.
- (7) One of the five highest paid individuals in the Group for the six months ended June 30, 2024 is Mr. Chen Guosheng, an executive Director. The details regarding the Pre-IPO Award granted to him are disclosed in the above table.

As the Company will not grant further share options and share awards under the Pre-IPO Share Scheme upon or after the Listing Date, the number of options and awards available for grant pursuant to the Pre-IPO Scheme Mandate Limit (as defined in the Prospectus) under the Pre-IPO Share Scheme is nil as of both January 1, 2024 and June 30, 2024.

As no share options or awards had been granted since the adoption of the Post-IPO Share Scheme and up to June 30, 2024, (i) as of January 1, 2024 and June 30, 2024, no Post-IPO Awards (as defined in the Prospectus) (including options and awards) were outstanding; (ii) no Post-IPO Awards had been exercised, vested, cancelled or lapsed under the Post-IPO Share Scheme during the Reporting Period; (iii) as of January 1, 2024 and June 30, 2024, the Post-IPO Scheme Mandate Limit (as defined in the Prospectus) was 42,666,700 Shares and the Post-IPO Service Provider Sublimit (as defined in the Prospectus) was 4,266,670 Shares, representing 10.35% and 1.03% of the total number of Shares in issue (excluding treasury Shares) as of the date of this announcement respectively.

The Board has appointed Futu Trustee Limited to act as trustee to assist with the administration of the Pre-IPO Share Scheme. As of June 30, 2024, 16,736,000 Shares were held by Yuan V Holdings Limited (a trust company wholly-owned by a trust in which the Company is the settlor, Futu Trustee Limited acts as trustee and the beneficiaries are grantees of the Pre-IPO Share Scheme) for the purpose of settling options when exercised under the Pre-IPO Share Scheme. No new Shares will be issued upon vesting or exercising of the options granted under the Pre-IPO Share Scheme. As no Shares may be issued in respect of options and awards granted under all schemes of the Company (namely the Pre-IPO Share Scheme and the Post-IPO Share Scheme) during the Reporting Period, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period is not available.

As disclosed in the announcement of the Company dated July 3, 2024, on July 3, 2024, the Board had resolved to grant 3,212,500 Post-IPO Share Awards (as defined in the Prospectus), involving a total of 3,212,500 Post-IPO Award Shares (as defined in the

Prospectus), which represent approximately 0.78% of the total Shares in issue (excluding treasury Shares) as of the date of this announcement, to 107 eligible participants (the “**Grantees**”) at nil consideration under the Post-IPO Share Scheme, subject to acceptance by the Grantees. The Post-IPO Share Awards granted to the Grantees will be satisfied by existing Shares held by Well Mount Holdings Limited, the trustee (the “**Trustee**”) of the Post-IPO Share Scheme. The Trustee shall continue to hold such Shares underlying the Post-IPO Share Awards on trust for the Grantees and shall transfer such Shares to the Grantees upon vesting. As of the date of this announcement, the Trustee holds 14,219,500 Shares under the Post-IPO Share Scheme. The Company will not issue or allot additional new Shares in respect of such grant of the Post-IPO Share Awards to the Grantees, thus, such grant will not result in any dilution effect on the shareholdings of existing Shareholders. Further details are set out in the announcement of the Company dated July 3, 2024.

Contingent Liabilities

As of June 30, 2024, the Group did not have any material contingent liabilities.

Pledge of Assets

As of June 30, 2024, the property, plant and equipment and right-of-use assets of the Group with net book values of RMB476.8 million and RMB87.3 million (as of December 31, 2023: RMB495.6 million and RMB88.4 million) respectively were pledged as collateral for the Group’s borrowings.

As of June 30, 2024, structured deposits and certificate of deposits of the Group in the amount of RMB397.0 million (as of December 31, 2023: RMB447.4 million) were pledged as security for the Group’s notes payable.

As of June 30, 2024, 100% (as of December 31, 2023: 100%) of the Group’s equity interest in Guangxi Luyuan Electric Vehicle Co., Ltd., a wholly-owned subsidiary of the Company, and certain patents of the Group were pledged as security for the Group’s bank borrowings.

Save as disclosed above, the Group had no other pledged assets as of June 30, 2024.

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

As of June 30, 2024, the Group did not hold any significant investment. The Group did not conduct any material acquisition or disposal of any subsidiaries, associates and joint ventures during the Reporting Period. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, during the Reporting Period, there was no specific plan authorized by the Board for other material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development.

USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

The Company was listed on the Stock Exchange on the Listing Date. The Net Proceeds amounted to approximately HKD706.4 million after deduction of the underwriting fees and commissions and other estimated expenses paid and payable by the Company in relation to the Global Offering.

On August 30, 2024, the Board had resolved to reallocate HKD42.0 million of the unutilized Net Proceeds, which was originally intended to be used for the capacity expansion plan of the Group’s Shandong Plant, to acquisition of land use rights and production infrastructure construction in relation to the construction of a new production facility in a Southwestern China city with mature supply chains and supporting resources (the “**Reallocation**”). After considering the current regional business environment, market uncertainties and the development needs of the Group, the Group took a cautious approach in implementing the capacity expansion plan (the “**Plan**”) of the Shandong Plant and had temporarily suspended certain projects under the Plan. Further, as the Group had successfully acquired the state-owned construction land use rights for a parcel of land in Dazu District, Chongqing City, PRC for the purpose of constructing the Chongqing Plant as disclosed in the Company’s announcement dated March 1, 2024, the Board has decided to better allocate the Net Proceeds to meet the construction costs and expenses that may incur from time to time from the construction of the Chongqing Plant, which has commenced as at the date of this announcement. In particular, considering the existing operational landscape of the Southwestern region of the PRC where the Chongqing Plant is strategically located, the Reallocation would provide the Group with access to efficient regional supply chain networks and supporting resources, thereby allowing the Group to capitalize on the logistical advantages therein and develop a more streamlined process for the manufacturing and production of electric vehicles and accessories of the Chongqing Plant. Further, after the Chongqing Plant is put into operation, it is expected that its production capacity will gradually reach approximately 2.0 million units annually by 2026. Accordingly, the Board considers that the Reallocation would allow the Group to deploy its financial resources more effectively to enhance the Group’s production capacity to meet the surging demands of the Group’s products, realize its long-term development plan and reinforce its leading market position.

The Board confirms that the Reallocation will not have any material adverse effect on the existing business and operation of the Group and there are no material changes in the nature of the business of the Group as set out in the Prospectus. In view of the above, the Board considers that the Reallocation is fair and reasonable and in the interests of the Group and the Shareholders as a whole. The Board will continue to evaluate the plan for the use of the unutilized Net Proceeds and may revise or amend such plan where necessary to respond to the changing market conditions and enhance the business performance of the Group.

The following table sets forth the status of the use of the Net Proceeds⁽¹⁾:

Intended use of Net Proceeds	Intended use of Net Proceeds from the initial public offering (In HKD millions)	Revised intended use of Net Proceeds from the initial public offering (In HKD millions)	Unutilized Net Proceeds as of December 31, 2023 (In HKD millions)	Utilized Net Proceeds as of June 30, 2024 (In HKD millions)	Unutilized Net Proceeds as of June 30, 2024 (In HKD millions)	Utilized Net Proceeds as of the date of this announcement (In HKD millions)	(Before	(After	Timeframe for the unused balance
							Reallocation) Unutilized Net Proceeds as of the date of this announcement (In HKD millions)	Reallocation) Unutilized Net Proceeds as of the date of this announcement (In HKD millions)	
Expand research and development capabilities to maintain the Group's technical edge	211.9	211.9	184.1	95.3	116.6	126.9	85.0	85.0	By the end of 2025
Research and development of new and upgraded products as well as technologies	169.5	169.5	162.8	61.9	107.6	92.5	77.0	77.0	By the end of June 2025 ⁽²⁾
Recruitment of additional research and development personnel	21.2	21.2	21.1	12.4	8.8	13.2	8.0	8.0	By the end of 2024
Other research and development costs, including purchasing and upgrading research and development equipment	21.2	21.2	0.2	21.0	0.2	21.2	—	—	—
Strengthen sales and distribution channels and raising brand awareness	211.9	211.9	143.1	167.3	44.7	194.4	17.5	17.5	By the end of 2024
Expand and optimize the Group's retail outlets in mainland China	127.2	127.2	97.4	93.8	33.4	117.5	9.7	9.7	By the end of 2024
Branding and marketing activities	63.6	63.6	26.5	61.3	2.3	63.1	0.5	0.5	By the end of 2024 ⁽²⁾
Enhance online channels and bring online traffic to the Group's physical retail outlets	10.6	10.6	8.6	9.7	0.9	10.6	—	—	— ⁽²⁾
Expand the Group's sales in international markets	10.6	10.6	10.6	2.5	8.1	3.2	7.4	7.4	By the end of 2024 ⁽²⁾
Strengthen the Group's production capabilities	211.9	211.9	205.7	139.5	72.5	143.0	69.0	69.0	By the end of 2024
Acquisition of land use rights and production infrastructure construction in relation to the construction of a new production facility in a Southwestern China city with mature supply chains and supporting resources	84.8	126.8	84.8	82.6	2.2	82.6	2.2	44.2	By the end of 2024
Capacity expansion plan of the Group's Shandong Plant	63.6	21.6	59.9	10.9	52.7	12.1	51.5	9.5	By the end of 2024
Capacity expansion plan of the Group's Guangxi Plant	63.6	63.6	61.0	46.0	17.6	48.3	15.3	15.3	By the end of 2024
Working capital and other general corporate purposes	70.6	70.6	25.2	70.6	—	70.6	—	—	—⁽²⁾
Total	706.4	706.4	558.0	472.7	233.8	534.9	171.5	171.5	By the end of 2025

Notes:

- (1) The figures in the table are approximate figures.
- (2) Save for the Reallocation, the Net Proceeds have been used according to the intentions previously disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus and in the Company’s annual report and announcement of annual results for the year ended December 31, 2023. As additional time was required to complete the necessary administrative procedures, the Company experienced delay in using part of the Net Proceeds. Unutilized Net Proceeds of approximately (i) HKD25.2 million for working capital and other general corporate purposes as of December 31, 2023 and (ii) HKD0.9 million for enhancing online channels and bringing online traffic to the Group’s physical retail outlets as of June 30, 2024 had only been fully utilized by the end of March 2024 and as of the date of this announcement respectively. It is expected that unutilized Net Proceeds of (i) approximately HKD2.3 million for branding and marketing activities; and (ii) approximately HKD8.1 million for expanding the Group’s sales in international markets as of June 30, 2024 will be fully utilized by the end of 2024. Further, in response to the current market uncertainties and business environment, the Company has been cautious and made strategic adjustments in developing its products and technologies. Accordingly, the use of Net Proceeds for the research and development of new and upgraded products as well as technologies has been delayed and unutilized Net Proceeds for this purpose of approximately HKD107.6 million as of June 30, 2024 are expected to be fully utilized by the end of June 2025. The Directors considered that such delay in the utilization of the Net Proceeds will not have any material adverse impact on the operation of the Group.

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

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

ROUNDING

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

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

During the six months ended June 30, 2024, Well Mount Holdings Limited, the trustee of the Post-IPO Share Scheme, purchased 7,689,000 Shares with a total consideration of HKD56.1 million on-market as instructed by the Company for the purpose of satisfying the Post-IPO Share Awards granted under the Post-IPO Share Scheme.

Save as disclosed above, during the six months ended June 30, 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury Shares). As of June 30, 2024, the Company did not hold any treasury Shares.

EVENTS AFTER THE REPORTING PERIOD

The Group has no material events subsequent to June 30, 2024 which could have a material impact on the operating and financial performance of the Group as of the date of this announcement.

NO MATERIAL CHANGE

Since the publication of the Group's annual report for the year ended December 31, 2023 on March 28, 2024, there has been no material change to the Group's business.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has fully complied with the code provisions set out in the CG Code during the Reporting Period. For the purposes of complying with the CG Code and maintaining a high standard of corporate governance of the Company, the Board will continue to review and monitor the corporate governance status of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

As of the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Wu Xiaoya, Mr. Liu Bobin and Mr. Peng Haitao. Mr. Wu Xiaoya is the chairman of the Audit Committee who possesses appropriate professional qualifications as required by Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting, including a review of the interim results of the Group for the six months ended June 30, 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.luyuan.cn/>). The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be sent to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, August 30, 2024

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

** for identification purpose only*