

LUYUAN

绿源

綠源集團控股（開曼）有限公司*

Luyuan Group Holding (Cayman) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2451



2024
INTERIM REPORT

*For identification purposes only

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CORPORATE INFORMATION

Registered Office	P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters	No. 168 Shicheng Street Development Zone Jinhua City Zhejiang Province China
Principal Place of Business in Hong Kong	31/F., Tower Two Times Square, 1 Matheson Street Causeway Bay Hong Kong
Company's Website	www.luyuan.cn
Stock Code	2451
Board of Directors	
Executive directors	Mr. Ni Jie (<i>Chairman</i>) Ms. Hu Jihong Mr. Chen Guosheng Ms. Ni Boyuan (<i>appointed on June 26, 2024</i>)
Non-executive director	Mr. David Ross Dingman (alias Mr. David R. Dingman) (<i>resigned on March 18, 2024</i>)
Independent non-executive directors	Mr. Wu Xiaoya Mr. Peng Haitao Mr. Liu Bobin Mr. Chan Chi Fung Leo
Joint Company Secretaries	Ms. Chu Cheuk Ting (<i>ACG, HKACG</i>) Mr. Chen Guosheng
Authorized Representatives	Mr. Ni Jie Ms. Chu Cheuk Ting (<i>ACG, HKACG</i>)
Audit Committee	Mr. Wu Xiaoya (<i>Chairman</i>) Mr. Liu Bobin Mr. Peng Haitao
Remuneration Committee	Mr. Liu Bobin (<i>Chairman</i>) Ms. Hu Jihong Mr. Wu Xiaoya

CORPORATE INFORMATION

Nomination Committee	Mr. Liu Bobin (<i>Chairman</i>) Ms. Hu Jihong Mr. Wu Xiaoya
Strategic and Investment Committee	Mr. Ni Jie (<i>Chairman</i>) Ms. Hu Jihong Mr. Peng Haitao
Hong Kong Legal Adviser	Han Kun Law Offices LLP Rooms 4301-10 43/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Auditor	PricewaterhouseCoopers <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 22/F, Prince's Building, Central Hong Kong SAR, China
Compliance Adviser	Jun Hui International Finance Limited Unit 01-02, 16/F Hing Yip Commercial Centre 272-284 Des Voeux Road Central Sheung Wan, Hong Kong
The Cayman Islands Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Bank	Agricultural Bank of China Limited Jinhua Economic Development Zone Branch No. 216, Bayi South Street Jinhua City Zhejiang Province, China



DEFINITIONS

“Apex Marine”	Apex Marine Investments Limited, a company incorporated in the British Virgin Islands with limited liability on March 9, 2010 and wholly-owned by Ms. Hu;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Audit Committee”	the audit committee of the Company;
“Auditor”	the auditor of the Company;
“Best Expand”	Best Expand Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on March 16, 2010 and owned by Mr. Ni and Ms. Hu in equal shares;
“Board” or “Board of Directors”	the board of Directors;
“Capitalization Issue”	the issue of 288,000,000 Shares made upon capitalization of certain sums standing to the credit of the share premium account of the Company as referred to in the sub-section headed “A. Further Information about our Group — 4. Resolutions in Writing of the Shareholders of Our Company Passed on August 21, 2023” in Appendix IV to the Prospectus;
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
“Chongqing Plant”	the production facility of the Group located in Wangu Town, Dazu Gaoxin District, Chongqing City, the PRC;
“Company” or “the Company”	Luyuan Group Holding (Cayman) Limited (綠源集團控股 (開曼) 有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 18, 2009;
“Director(s)”	the director(s) of the Company;
“Drago Investments”	Drago Investments Limited, a company incorporated in the British Virgin Islands with limited liability on January 28, 2010 and wholly-owned by Mr. Ni;
“Global Offering”	the Hong Kong public offering and the international offering of the Shares;
“Group”	the Company and its subsidiaries from time to time, or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be);

DEFINITIONS

“HKD”	Hong Kong dollars and cents, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on October 12, 2023;
“Listing Date”	the date, being October 12, 2023, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange;
“mainland China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan region;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules;
“Mr. Ni”	Mr. Ni Jie (倪捷), the co-founder of the Group, executive Director, controlling Shareholder of the Company and spouse of Ms. Hu;
“Ms. Hu”	Ms. Hu Jihong (胡繼紅), the co-founder of the Group, executive Director, controlling Shareholder of the Company and spouse of Mr. Ni;
“Net Proceeds”	the net proceeds from the Global Offering which 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;
“Post-IPO Share Scheme”	the share scheme adopted by the Company pursuant to the written resolutions passed by our Shareholders on August 21, 2023, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Scheme” in Appendix IV to the Prospectus;
“PRC” or “China”	the People’s Republic of China, and “Chinese” shall be construed accordingly;



DEFINITIONS

“Pre-IPO Share Scheme”	the share scheme adopted by the Company pursuant to the written resolutions passed by the Board on July 20, 2023, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Scheme” in Appendix IV to the Prospectus;
“Prospectus”	the prospectus of the Company dated September 28, 2023;
“Reporting Period”	the six months ended June 30, 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) in the capital of the Company with a par value of US\$0.0001 each;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“USD” or “US\$”	United States dollars, the lawful currency for the time being of the United States;
“%”	per cent.

In this report, the terms “associate”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

* *for identification purpose only*

FINANCIAL SUMMARY

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	2,533,904	2,454,910
Profit before income tax	66,704	64,270
Profit for the period	65,988	60,204
Total comprehensive income for the period	66,876	60,422
	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Assets		
Non-current assets	1,421,909	1,231,795
Current assets	3,156,015	2,630,686
Total assets	4,577,924	3,862,481
Equity and liabilities		
Capital and reserve attributable to equity holders of the Company	1,562,495	1,527,565
Total equity	1,562,495	1,527,565
Non-current liabilities	549,280	505,833
Current liabilities	2,466,149	1,829,083
Total liabilities	3,015,429	2,334,916
Total equity and liabilities	4,577,924	3,862,481



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, construction of the Chongqing Plant has commenced.



MANAGEMENT DISCUSSION AND ANALYSIS

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 relationship 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

- *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	
	RMB'000	%	RMB'000	%
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>	2,512,539	99.2	2,424,664	98.8
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>	21,365	0.8	30,246	1.2
Total	2,533,904	100.0	2,454,910	100.0

Notes:

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



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE INCOME — NET

Finance income — net of the Group increased 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 from the Global Offering.

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 as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 the Shares, the Company adopted the Pre-IPO Share Scheme on July 20, 2023 and conditionally adopted the Post-IPO Share Scheme 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.

On July 3, 2024, the Board had resolved to grant 3,212,500 Post-IPO Share Awards (as defined below), 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 report, 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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS**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.



MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Company was listed 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 report. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Intended use of Net Proceeds	Intended	Revised	Unutilized Net	Utilized Net	Unutilized Net	Utilized Net	(Before	(After	Timeframe for
	use of Net	intended					Reallocation)	Reallocation)	
	Proceeds from	Proceeds from	Proceeds as of	Proceeds as of	Proceeds as of	Proceeds as of	Proceeds as of	Proceeds as of	
	the initial	the initial	December 31,	June 30,	June 30,	August 30,	August 30,	August 30,	
	public offering	public offering	2023	2024	2024	2024	2024	2024	the unused balance
	(In HKD	(In HKD	(In HKD	(In HKD	(In HKD	(In HKD	(In HKD	(In HKD	
	millions)	millions)	millions)	millions)	millions)	millions)	millions)	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.



MANAGEMENT DISCUSSION AND ANALYSIS

- (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 report 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 Listing Rules should there be any material change in the intended use of the unutilized Net Proceeds.

As of the date of this report, 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 report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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 report.

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.

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).

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 approximately 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.

SHARE SCHEMES

Pre-IPO Share Scheme

Pursuant to the written resolutions passed by the Board on July 20, 2023, the Company has adopted the Pre-IPO Share Scheme. The following is a summary of the principal terms of the Pre-IPO Share Scheme.

The purpose of the Pre-IPO Share Scheme is: (i) to provide the Company with a flexible means of attracting, remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to Pre-IPO Eligible Participants (as defined below); (ii) to align the interests of Pre-IPO Eligible Participants with those of the Company and Shareholders by providing such Pre-IPO Eligible Participants with the opportunity to acquire proprietary interests in the Company and become Shareholders; and (iii) to encourage Pre-IPO Eligible Participants to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

Any person of any one of the following categories and as determined by the Board or the scheme administrator from time to time shall be eligible to participate in the Pre-IPO Share Scheme:

- (i) an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the grant date;
- (ii) an employee (whether full-time or part-time or other employment relationship), director or officer of: (a) a holding company of the Company; (b) subsidiaries of such holding company other than members of the Group; or (c) any company that is an associate of the Company; or
- (iii) any person(s) providing services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group as determined by the scheme administrator (collectively the “**Pre-IPO Eligible Participants**”).



OTHER INFORMATION

The initial total number of new Shares which may be issued pursuant to all awards to be granted under the Pre-IPO Share Scheme (the “**Pre-IPO Awards**”, and the term “**Pre-IPO Award**” shall be construed accordingly) is 1,673,600 Shares (the “**Pre-IPO Scheme Mandate Limit**”). The Pre-IPO Scheme Mandate Limit was adjusted to 16,736,000 Shares pursuant to the terms of the Pre-IPO Share Scheme upon the completion of the Capitalization Issue, representing approximately 4.06% of the total issued Shares (excluding treasury Shares) as of the date of this report. Under the Pre-IPO Share Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single Pre-IPO Eligible Participant.

The Pre-IPO Share Scheme shall be valid and effective for the period of 10 years commencing on the adoption date of the Pre-IPO Share Scheme on July 20, 2023 (the “**Pre-IPO Scheme Adoption Date**”) and ending on the tenth anniversary of the Pre-IPO Scheme Adoption Date (the “**Pre-IPO Scheme Period**”). As of the date of this report, the remaining life of the Pre-IPO Share Scheme is approximately 8 years and 11 months. It shall terminate on the earlier of the expiry of the Pre-IPO Scheme Period and such date of early termination as determined by the Board, provided that notwithstanding such termination, the Pre-IPO Share Scheme and the rules therein shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Pre-IPO Awards granted prior to the termination of the Pre-IPO Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee hereunder.

The Board shall be responsible for administering the Pre-IPO Share Scheme in accordance with the rules of the Pre-IPO Share Scheme. The authority to administer the Pre-IPO Share Scheme may be delegated by the Board to a committee of the Board or to any other person(s) deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Pre-IPO Awards and to determine the terms and conditions of such Pre-IPO Awards, provided that nothing in this section shall prejudice the Board’s power to revoke such delegation at any time or derogate from the discretion rested with the Board. Under the Pre-IPO Share Scheme, the scheme administrator may determine in their absolute discretion the amount (if any) payable on application or acceptance of a Pre-IPO Award and the period within which any such payments must be made, and such amounts (if any) and periods shall be set out in the award letter.

Since the adoption of the Pre-IPO Share Scheme, share options were granted to a total of 108 Pre-IPO Eligible Participants to acquire a total of 16,736,000 Shares (as adjusted in accordance with the terms of the Pre-IPO Share Scheme upon the Capitalization Issue) and no share awards have been granted under the Pre-IPO Share Scheme. No consideration was payable for the grants of options under the Pre-IPO Share Scheme. Under the terms of the Pre-IPO Share Scheme, no share options and share awards may be granted by the Company upon or after the Listing. As such, the provisions of Chapter 17 of the Listing Rules do not apply to the terms of the Pre-IPO Share Scheme.

As of June 30, 2024, options which corresponded to an aggregate of 16,736,000 underlying Shares, representing approximately 4.06% of the total issued Shares (excluding treasury Shares) as of the date of this report, remained outstanding to a total of 108 Pre-IPO Eligible Participants.

OTHER INFORMATION

The Company may establish one or more trusts and appoint one or more trustees to hold Shares for the purposes of: (i) holding Shares underlying Pre-IPO Awards (which may be Shares newly allotted and issued by the Company or existing Shares purchased or acquired on-market or off-market by the trustee(s) under the trust or existing Shares transferred by any Shareholder(s) to the trustee(s) under the trust for the purpose of implementation of the Pre-IPO Share Scheme at nil consideration or otherwise) and reserved for specified Pre-IPO Eligible Participants; (ii) settling Pre-IPO Awards; and (iii) taking other actions for the purposes of administering and implementing the Pre-IPO Share Scheme. Under the Pre-IPO Share Scheme, the trustee(s) holding unvested Shares under the trust shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

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



OTHER INFORMATION

Details of the Pre-IPO Awards 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 (HKD) ^{Note 4}	Vesting period	Exercise period ^{Note 6}
Director										
Chen Guosheng	1,726,600	—	July 20, 2023	—	—	—	1,726,600	0	See Note 5	From the date that is six months after the Listing Date 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	0	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	0	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.
- (2) As no further options will be granted under the Pre-IPO Share Scheme after 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.

OTHER INFORMATION

- (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; (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.

Further details of the principal terms of the Pre-IPO Share Scheme are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Scheme” in Appendix IV to the Prospectus.

Post-IPO Share Scheme

On August 21, 2023, the Post-IPO Share Scheme was conditionally approved and adopted pursuant to written resolutions passed by the Shareholders. The purpose of the Post-IPO Share Scheme is (i) to provide the Company with a flexible means of attracting, remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to Post-IPO Eligible Participants (as defined below); (ii) to align the interests of Post-IPO Eligible Participants with those of the Company and Shareholders by providing such Post-IPO Eligible Participants with the opportunity to acquire proprietary interests in the Company and become Shareholders; and (iii) to encourage Post-IPO Eligible Participants to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

Subject to the rules of the Post-IPO Share Scheme, the Board or scheme administrator may, from time to time, in their absolute discretion select any Post-IPO Eligible Participant to be a grantee and, subject to the rules of the Post-IPO Share Scheme, grant a Post-IPO Award (as defined under the Listing Rules) under the Post-IPO Share Scheme, the nature and amount of which shall be determined by the Board or scheme administrator, to such grantee during a period of 10 years commencing at the time immediately prior to the Shares commencing trading on the Stock Exchange (the “**Post-IPO Scheme Adoption Date**”) and ending on the 10th anniversary of the Post-IPO Scheme Adoption Date.



OTHER INFORMATION

A Post-IPO Award may be in the form of: (i) an award which vests in the form of the right to subscribe for and/or to be issued such number of Post-IPO Award Shares as the scheme administrator may determine at the Post-IPO Scheme Issue Price (as defined below) in accordance with the terms of the Post-IPO Share Scheme (a “**Post-IPO Share Award**”, and the term “**Post-IPO Share Awards**” shall be construed accordingly); or (ii) an award which vests in the form of the right to subscribe for such number of Post-IPO Award Shares as the scheme administrator may determine during the exercise period at the Post-IPO Scheme Exercise Price in accordance with the terms of the Post-IPO Share Scheme (a “**Post-IPO Share Option**”). The Post-IPO Award Shares shall be identical to all existing issued Shares and (in respect of new Shares) shall be allotted and issued subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the other fully paid Shares in issue.

Eligible participants of the Post-IPO Share Scheme include (i) an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the grant date (“**Post-IPO Employee Participant**”, and the term “**Post-IPO Employee Participants**” shall be construed accordingly); (ii) an employee (whether full-time or part-time or other employment relationship), director or officer of: (a) a holding company of the Company; (b) subsidiaries of such holding company other than members of the Group; or (c) any company that is an associate of the Company (“**Post-IPO Related Entity Participant**”); or (iii) any person(s) providing services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the scheme administrator pursuant to the criteria set out in section headed “D. Share Incentive Schemes — 2. Post-IPO Share Scheme — (b) Eligible Participants” in Appendix IV of the Prospectus, subject to compliance with any applicable laws, rules and regulations (“**Post-IPO Service Provider Participant**”, and the term “**Post-IPO Service Provider Participants**” shall be construed accordingly). For the purpose of this report, the term “**Post-IPO Eligible Participant**” shall mean a Post-IPO Employee Participant, Post-IPO Related Entity Participant or Post-IPO Service Provider Participant, and the term “**Post-IPO Eligible Participants**” shall be construed accordingly.

The initial total number of new Shares which may be issued pursuant to all Post-IPO Awards to be granted under the Post-IPO Share Scheme and Post-IPO Awards to be granted under any other share schemes of the Company shall not in aggregate exceed 42,666,700 Shares, being 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Post-IPO Scheme Mandate Limit**”), which represents 10.35% of the total number of Shares in issue (excluding treasury Shares) as of the date of this report. As of June 30, 2024, the total number of Shares which remains available for issue pursuant to all Post-IPO Awards to be granted under the Post-IPO Share Scheme is 42,666,700 Shares, representing 10.35% of the total number of Shares in issue (excluding treasury Shares) as of the date of this report. Within the Post-IPO Scheme Mandate Limit, the initial total number of new Shares which may be issued pursuant to Post-IPO Awards to be granted to Post-IPO Service Provider Participants under the Post-IPO Share Scheme shall not in aggregate exceed 4,266,670 Shares, being 1% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Post-IPO Service Provider Sublimit**”), which represents 1.03% of the total number of Shares in issue (excluding treasury Shares) as of the date of this report. Each of the Post-IPO Scheme Limit and the Post-IPO Service Provider Sublimit may be adjusted or refreshed from time to time in accordance with the rules of the Post-IPO Share Scheme, subject to compliance with any applicable laws, rules and regulations. Shares which may be issued pursuant to Post-IPO Awards which have lapsed in accordance with the terms of the rules of the Post-IPO Share Scheme (or the terms of any other share schemes of the Company) shall not be counted for the purpose of calculating the Post-IPO Scheme Mandate Limit and/or the Post-IPO Service Provider Sublimit.

OTHER INFORMATION

Unless approved separately by the Shareholders in general meeting, the total number of Post-IPO Award Shares issued and to be issued upon exercise of Post-IPO Awards granted and to be granted under the Post-IPO Share Scheme and any other share scheme(s) of the Company to each Post-IPO Eligible Participant (including both exercised and outstanding Post-IPO Share Options) in any 12-month period up to and including the date of such grant shall not exceed 1% of the total number of Shares in issue (excluding treasury Shares).

Grants of Post-IPO Awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the following additional rules:

- (i) such grant shall be subject to the prior approval of the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the Post-IPO Award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of the Post-IPO Awards); and
- (ii)
 - (a) where any grant of Post-IPO Share Awards (i.e., excluding grant of Post-IPO Share Options) to any Director (other than an independent non-executive Director) or chief executive of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all awards granted (excluding any Post-IPO Awards lapsed in accordance with the terms of the Post-IPO Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue (excluding treasury Shares) at the date of such grant; or;
 - (b) where any grant of Post-IPO Awards to an independent non-executive Director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued in respect of all awards granted (excluding any Post-IPO Awards lapsed in accordance with the terms of the Post-IPO Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue (excluding treasury Shares), such further grant of Post-IPO Awards must be approved by the Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.



OTHER INFORMATION

The Post-IPO Share Scheme shall be valid and effective for the period of 10 years commencing on the Post-IPO Scheme Adoption Date and ending on the tenth anniversary of the Post-IPO Scheme Adoption Date (the “**Post-IPO Scheme Period**”). As of the date of this report, the remaining life of the Post-IPO Share Scheme is approximately 9 years. Termination of the Post-IPO Share Scheme shall take effect on the earlier of: (i) the expiry of the Post-IPO Scheme Period; and (ii) such date of early termination as determined by the Board, following which no further Post-IPO Awards will be offered or granted under the Post-IPO Share Scheme, provided that notwithstanding such termination, the Post-IPO Share Scheme and the rules therein shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Post-IPO Awards granted prior to the termination of the Post-IPO Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee hereunder. Post-IPO Awards that are granted during the effective term of the Post-IPO Share Scheme and remaining unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Scheme.

The scheme administrator may determine in their absolute discretion the amount (if any) payable on application or acceptance of a Post-IPO Award and the period within which any such payments must be made, and such amounts (if any) and periods shall be set out in the award letter issued to the relevant grantee setting out the terms and conditions of the relevant Post-IPO Award (the “**Post-IPO Award Letter**”). Unless otherwise specified in the Post-IPO Award Letter, the grantee shall have 10 business days (i.e., any day on which the Stock Exchange is open for the business of dealing in securities) from the grant date to accept the Post-IPO Award. A grantee may accept a Post-IPO Award by giving written notice of their acceptance to the scheme administrator, together with remittance in favour of the Company of any consideration payable upon grant of the Post-IPO Award.

For Post-IPO Awards which take the form of Post-IPO Share Awards, the price per Share a grantee is required to pay for obtaining the Shares comprising the Post-IPO Share Awards (the “**Post-IPO Scheme Issue Price**”) for the exercise of such Post-IPO Share Awards shall be such price determined by the scheme administrator in their absolute discretion and notified to the grantee in the Post-IPO Award Letter. For the avoidance of doubt, the scheme administrator may determine the Post-IPO Scheme Issue Price to be at nil consideration.

For Post-IPO Awards which take the form of Post-IPO Share Options, the price per Share at which a grantee may subscribe for Shares upon the exercise of a Post-IPO Share Option awarded (the “**Post-IPO Scheme Exercise Price**”) for such Post-IPO Share Options shall subject to the determination by the scheme administrator in their absolute discretion, provided that the Post-IPO Scheme Exercise Price shall in any event be no less than the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days (i.e., any day on which the Stock Exchange is open for the business of dealing in securities) immediately preceding the grant date.

OTHER INFORMATION

The scheme administrator may in respect of each Post-IPO Award and subject to all applicable laws, rules and regulations determine such vesting criteria and conditions or periods for vesting of the Post-IPO Award in its sole and absolute discretion. The relevant vesting date of any Post-IPO Award shall be set out in the Post-IPO Award Letter. The vesting date in respect of any Post-IPO Award shall be not less than 12 months from the grant date, provided that for Post-IPO Employee Participants, the vesting date may be less than 12 months from the grant date (including on the grant date) in certain circumstances as provided under the Post-IPO Share Scheme.

The exercise period for any award of Post-IPO Share Options shall be such period determined by the scheme administrator in their absolute discretion and notified to the Post-IPO Eligible Participant in the Post-IPO Award Letter, provided that the exercise period shall not be longer than 10 years from the grant date. A Post-IPO Share Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the expiry of the tenth anniversary from the grant date. For Post-IPO Share Awards, the exercise period shall be such period determined by the scheme administrator in their absolute discretion and notified to the Post-IPO Eligible Participant in the Post-IPO Award Letter. For the avoidance of doubt, the scheme administrator may determine the exercise period of a Post-IPO Share Award to be not applicable and determine that the Post-IPO Award Shares shall fall to be settled upon the vesting date without further action by the grantee. Subject to such terms and conditions as the Board may determine, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

Since the adoption of the Post-IPO Share Scheme and up to June 30, 2024, no Post-IPO Awards had been granted. Thus, (i) as of January 1, 2024 and June 30, 2024, no Post-IPO Awards (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 six months ended June 30, 2024; and (iii) as of January 1, 2024 and June 30, 2024, the Post-IPO Scheme Mandate Limit was 42,666,700 Shares and Post-IPO Service Provider Sublimit was 4,266,670 Shares, representing 10.35% and 1.03% of the total issued Shares (excluding treasury Shares) as of the date of this report respectively.

On July 3, 2024, the Board had resolved to grant 3,212,500 Post-IPO Share Awards, involving a total of 3,212,500 Post-IPO Award Shares, which represent approximately 0.78% of the total Shares in issue (excluding treasury Shares) as of the date of this report, to the Grantees at nil consideration under the Post-IPO Share Scheme, subject to acceptance by the Grantees. The 3,212,500 Post-IPO Share Awards granted to the Grantees will be satisfied by existing Shares held by Well Mount Holdings Limited, the Trustee. 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 report, 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.



OTHER INFORMATION

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 six months ended June 30, 2024, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the six months ended June 30, 2024 divided by the weighted average number of Shares of the relevant class in issue (excluding treasury Shares) for the six months ended June 30, 2024 is not available.

Further details of the principal terms of the Post-IPO Share Scheme are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Scheme” in Appendix IV to the Prospectus.

CHANGES IN DIRECTORS’ INFORMATION

Mr. David Ross Dingman resigned as a non-executive Director with effect from March 18, 2024 and Ms. Ni Boyuan has been appointed as an executive Director on June 26, 2024. For further details, please refer to the announcements of the Company dated March 18, 2024 and June 26, 2024 respectively.

There has been no change in the information of Directors which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register of the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ chief executive	Capacity/nature of interest	Number of Shares/ underlying Shares ⁽⁶⁾	Class of Shares	Approximate percentage of shareholding in the total issued share capital ⁽⁷⁾
Mr. Ni ^{(1) (3) (4)}	Interest in controlled corporation	146,464,000 (L)	Ordinary Shares	34.33%
	Interest of spouse	131,200,000 (L)	Ordinary Shares	30.75%
Ms. Hu ^{(2) (3) (4)}	Interest in controlled corporation	146,464,000 (L)	Ordinary Shares	34.33%
	Interest of spouse	131,200,000 (L)	Ordinary Shares	30.75%
Mr. Chen Guosheng ⁽⁵⁾	Beneficial owner	1,726,600 (L)	Ordinary Shares	0.40%

OTHER INFORMATION

Notes:

- (1) Drago Investments is wholly-owned by Mr. Ni. By virtue of the SFO, Mr. Ni is deemed to be interested in the 131,200,000 Shares held by Drago Investments.
- (2) Apex Marine is wholly-owned by Ms. Hu. By virtue of the SFO, Ms. Hu is deemed to be interested in the 131,200,000 Shares held by Apex Marine.
- (3) Best Expand is owned as to 50% by Mr. Ni and 50% by Ms. Hu. By virtue of the SFO, each of Mr. Ni and Ms. Hu is deemed to be interested in the 15,264,000 Shares held by Best Expand.
- (4) Mr. Ni and Ms. Hu are spouses. By virtue of the SFO, each of them is deemed to be interested in the Shares in which the other is deemed to be interested.
- (5) Mr. Chen Guosheng was granted an option to acquire for 1,726,600 Shares under the Pre-IPO Share Scheme.
- (6) The letter "L" denotes a person's long position in such Shares.
- (7) The percentage of shareholding is calculated based on the total number of 426,667,000 Shares in issue as of June 30, 2024.

Save as disclosed above, as of June 30, 2024, none of the Directors and chief executive of the Company had any interests and short positions of in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION
SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2024, so far as the Directors are aware and based on publicly available information, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares⁽⁶⁾	Class of Shares	Approximate percentage of shareholding in the total issued share capital⁽⁷⁾
Mr. Ni ⁽¹⁾ ⁽³⁾ ⁽⁴⁾	Interest in controlled corporation	146,464,000 (L)	Ordinary Shares	34.33%
Ms. Hu ⁽¹⁾ ⁽²⁾ ⁽⁴⁾	Interest of spouse	131,200,000 (L)	Ordinary Shares	30.75%
	Interest in controlled corporation	146,464,000 (L)	Ordinary Shares	34.33%
Apex Marine ⁽²⁾	Interest of spouse	131,200,000 (L)	Ordinary Shares	30.75%
Drago Investments ⁽³⁾	Beneficial owner	131,200,000 (L)	Ordinary Shares	30.75%
Shipston Electric Vehicle Limited (“Shipston”) ⁽⁵⁾	Beneficial owner	23,000,000 (L)	Ordinary Shares	5.39%
Shipston EVL Holdings Limited ⁽⁵⁾	Interest in controlled corporation	23,000,000 (L)	Ordinary Shares	5.39%
Shipston Group Limited ⁽⁵⁾	Interest in controlled corporation	23,000,000 (L)	Ordinary Shares	5.39%
Stonor Group Limited ⁽⁵⁾	Interest in controlled corporation	23,000,000 (L)	Ordinary Shares	5.39%
Mr. David R. Dingman ⁽⁵⁾	Interest in controlled corporation	23,000,000 (L)	Ordinary Shares	5.39%

Notes:

- Mr. Ni and Ms. Hu are spouses. By virtue of the SFO, each of them is deemed to be interested in the Shares in which the other is deemed to be interested.
- Apex Marine is wholly-owned by Ms. Hu. By virtue of the SFO, Ms. Hu is deemed to be interested in the 131,200,000 Shares held by Apex Marine.
- Drago Investments is wholly-owned by Mr. Ni. By virtue of the SFO, Mr. Ni is deemed to be interested in the 131,200,000 Shares held by Drago Investments.
- Best Expand is owned as to 50% by Mr. Ni and 50% by Ms. Hu. By virtue of the SFO, each of Mr. Ni and Ms. Hu is deemed to be interested in the 15,264,000 Shares held by Best Expand.

OTHER INFORMATION

5. Shipston is an investment vehicle wholly-owned by Shipston EVL Holdings Limited. Shipston EVL Holdings Limited is wholly-owned by Shipston Group Limited. Shipston Group Limited is wholly-owned by Stonor Group Limited, which is wholly-owned by Mr. David Ross Dingman, the then non-executive Director who resigned on March 18, 2024. Accordingly, each of Shipston EVL Holdings Limited, Shipston Group Limited, Stonor Group Limited and Mr. David Ross Dingman is deemed to be interested in the total number of Shares held by Shipston.
6. The letter “L” denotes a person’s long position in such Shares.
7. The percentage of shareholding is calculated based on the total number of 426,667,000 Shares in issue as of June 30, 2024.

Save as disclosed above, as of June 30, 2024, so far as the Directors are aware and based on publicly available information, no person had any interests and short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMOLUMENT POLICY

The Group recognizes its employees are prominent assets for its long-term development and it places great emphasis on attracting and recruiting qualified employees. The Group adopts a fair treatment for its employees to ensure that they enjoy fair opportunities and conditions. For emolument policy, the Group provides its employees with remuneration packages covering matters including wages, employee benefits, safety and sanitary conditions in the workplace. The Group also enters into standard confidentiality agreements with all of its employees. As required by PRC Law, the Group participated in various social security plans for its employees including housing provident fund, pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance. Additionally, the Company also operated share incentive schemes to incentivize and motivate its employees in the long term, including the Pre-IPO Share Scheme and the Post-IPO Share Scheme under which qualified employees are granted with share awards or share options, details of which are set out under the section headed “Other Information – Share Schemes” of this report.

A remuneration committee has also been established by the Group to review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual Directors and senior management. In general, the emolument payable to the Directors is determined based on each Director’s time commitment and responsibilities, salaries paid by comparable companies as well as the employment conditions elsewhere in the Group.



OTHER INFORMATION

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 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 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.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Other Information — Share Schemes" of this report, at no time during the Reporting Period was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

As of the date of this report, 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.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2024

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	2,533,904	2,454,910
Cost of sales	6	(2,230,962)	(2,159,468)
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	13,676	7,751
Operating profit		54,362	62,541
Finance income	7	23,932	12,739
Finance costs	7	(11,412)	(11,073)
Finance income — net	7	12,520	1,666
Share of results of associates		(178)	63
Profit before income tax		66,704	64,270
Income tax expenses	8	(716)	(4,066)
Profit for the period		65,988	60,204
Attributable to the equity holders of the Company		65,988	60,204
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	15.9	18.8

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended June 30, 2024

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2024

	Note	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	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	13	133,048	127,698
Time deposits		30,000	30,000
Trade and lease receivables	12	2,229	4,543
		1,421,909	1,231,795
Current assets			
Inventories	11	342,307	254,028
Trade and notes and lease receivables	12	430,286	218,955
Other receivables and prepayments	13	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
OWNERS' EQUITY			
Share capital	17	305	305
Share premium	17	688,457	688,457
Other reserves	17	248,747	279,805
Retained earnings		624,986	558,998
Capital and reserve attributable to equity holders of the Company		1,562,495	1,527,565
Total equity		1,562,495	1,527,565

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

As at June 30, 2024

	Note	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	16	514,200	477,319
Provisions		4,118	3,395
Lease liabilities		8,195	4,061
Deferred income		22,767	21,058
		549,280	505,833
Current liabilities			
Trade and notes and other payables	15	1,872,497	1,552,893
Contract liabilities		114,256	82,710
Borrowings	16	447,819	166,027
Provisions		7,703	6,560
Lease liabilities		3,223	3,308
Income tax liabilities		20,651	17,585
		2,466,149	1,829,083
Total liabilities		3,015,429	2,334,916
Total equity and liabilities		4,577,924	3,862,481

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at January 1, 2023	22	—	247,217	432,599	679,838
Comprehensive income					
Profit for the period	—	—	—	60,204	60,204
Currency translation differences	—	—	238	—	238
Total comprehensive income for the period	—	—	238	60,204	60,422
Balance at June 30, 2023 (Unaudited)	22	—	247,455	492,803	740,280



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at January 1, 2024		305	688,457	279,805	558,998	1,527,565
Comprehensive income						
Profit for the period		—	—	—	65,988	65,988
Currency translation differences		—	—	888	—	888
Total comprehensive income for the period		—	—	888	65,988	66,876
Transactions with owners in their capacity						
Repurchase of ordinary shares	17	—	—	(51,217)	—	(51,217)
Share-based payments	18	—	—	19,271	—	19,271
Total transactions with owners in their capacity for the period		—	—	(31,946)	—	(31,946)
Balance at June 30, 2024 (Unaudited)		305	688,457	248,747	624,986	1,562,495

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Operating activities		
Net cash generated from operations	21,855	58,045
Interest received on bank deposits	23,932	12,739
Income tax paid	(2,168)	(2,619)
Net cash generated from operating activities	43,619	68,165
Investing activities		
Interest received on loans to third parties, related parties and time deposits	871	836
Purchase of property, plant and equipment and intangible assets	(139,615)	(154,542)
Purchase of land use rights	(41,795)	—
Payments for financial assets at fair value through profit or loss	(505,653)	(505,653)
Proceeds from financial assets at fair value through profit or loss	603,087	481,310
Payments for time deposits	(313,750)	(448,400)
Proceeds from time deposits	254,878	310,460
Proceeds from government grants related to assets	2,850	7,215
Repayment of loans by third parties	—	2,290
Proceeds from disposal of property, plant and equipment	581	89
Net cash used in investing activities	(138,546)	(306,395)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Financing activities		
Interest paid	(11,372)	(10,915)
Proceeds from borrowings	980,240	555,107
Repayments of borrowings	(661,440)	(261,441)
Principal and interest of lease payments	(1,990)	(1,805)
Payments for repurchase of ordinary shares	(51,217)	—
Payments for listing expenses	—	(3,029)
Net cash generated from financing activities	254,221	277,917
Net increase in cash and cash equivalents	159,294	39,687
Cash and cash equivalents at beginning of the period	994,968	395,038
Effect of foreign exchange rate changes, net	5,893	258
Cash and cash equivalents at end of the period	1,160,155	434,983

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

The 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

These 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").

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (CONTINUED)

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING**3.1 Disaggregation of revenue from contract with customers**

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

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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OTHER INCOME AND EXPENSE

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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 (Note)	27,149	30,850
Others	4,347	2,180
	38,103	37,925
Other expense		
Cost of obsolete material and work in progress	(2,461)	(2,605)
Others	(2,300)	(642)
	(4,761)	(3,247)

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 RMB'000 (Unaudited)	2023 RMB'000 (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
	13,676	7,751

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 RMB'000 (Unaudited)	2023 RMB'000 (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
Total cost of sales, selling and marketing costs, administrative expenses and research and development costs	2,526,086	2,435,184

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 FINANCE INCOME — NET

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

8 INCOME TAX EXPENSES

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

The general PRC 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (Unaudited)	2023 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	65,988	60,204
Weighted average number of shares in issue (in thousand)	407,352	320,000
Basic earnings per share (RMB cents per share)	16.2	18.8

(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 (the “**Prospectus**”)) are considered to be potential ordinary shares.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2024, the Group acquired property, plant and equipment with cost of RMB182,116,000 (the six months ended June 30, 2023: RMB10,647,000).

Property, plant and equipment with a net book value of RMB572,000 were disposed of by the Group during the six months ended June 30, 2024 (the six months ended 30 June 2023: RMB308,000).

As at June 30, 2024, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB476,799,000 (December 31, 2023: RMB495,626,000) were pledged to secure the Group's bills payable.

11 INVENTORIES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (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
	342,307	254,028

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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 TRADE AND NOTES AND LEASE RECEIVABLES**(a) Trade receivables — current and notes receivables**

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

The ageing analysis of trade receivables — 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	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
	408,827	199,565

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 TRADE AND NOTES AND LEASE RECEIVABLES (CONTINUED)
(b) Lease receivables

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

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	—	—
	5,440	9,700

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 TRADE AND NOTES AND LEASE RECEIVABLES (CONTINUED)**(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	(61)	(126)
	2,229	4,543

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	—	—
	2,290	4,669

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



NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (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)
	133,048	127,698
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)
	252,502	202,992
	385,550	330,690

14 DIVIDENDS

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND NOTES AND OTHER PAYABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade payables	588,861	445,558
Notes payable	1,026,100	895,700
Other tax payables	45,360	61,577
Payable for land 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
	1,872,497	1,552,893

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 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (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
	588,861	445,558

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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 BORROWINGS

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 SHARE CAPITAL AND SHARE PREMIUM AND REPURCHASE OF ORDINARY SHARES**Issued share capital and share premium**

	Number of issued shares	Share capital USD	Share capital RMB'000	Share premium RMB'000
As at February 18, 2009 (date of incorporation)	1	0.0001	6	—
As at January 1, 2022 and December 31, 2022	32,000,000	32,000	22	—
As at June 30, 2023	32,000,000	32,000	22	—
Issuance of shares for the global offering	106,667,000	106,667	76	688,664
Capitalization Issue	288,000,000	288,000	207	(207)
As at December 31, 2023	426,667,000	426,667	305	688,457
As at June 30, 2024	426,667,000	426,667	305	688,457

Repurchase of ordinary shares

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. As at June 30, 2024, the repurchase of ordinary shares in other reserves amounted to RMB51,217,000.

18 SHARE-BASED PAYMENTS

Pursuant to a resolution of the Board of directors of the Company passed on July 20, 2023, 16,736,000 share options were granted to certain eligible participants of the Group under the Pre-IPO Share Scheme with an exercise price of RMB0. Under the Pre-IPO Share Scheme, eligible participants are granted options which only vest if certain performance standards are met. Options are granted under the Pre-IPO Share Scheme for no consideration and carry no dividend or voting rights.

The Pre-IPO Share Scheme is administrated by the Trusty Company, which is consolidated by the Group. When the shares are granted but not vested, they are recognized as treasury shares of the Group. When the options are exercised, the Trusty Company transfers the appropriate amount of shares to the eligible participants.

Each option gives the holder the right to subscribe for one ordinary share of the Company at RMB0 each.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 SHARE-BASED PAYMENTS (CONTINUED)

(a) The term and conditions of the grants are as follows:

Grant date	Expiry date	Number of Instruments	Vesting conditions
July 20, 2023	July 20, 2033	16,736,000	I. 10% on July 20, 2024 20% on July 20, 2025 30% on July 20, 2026 40% on July 20, 2027 II. The individual performance rating with A/B/C can be exercised 100% and rating with D can not be exercised

(b) The number and weighted average exercise prices of share options are as follows:

	Exercise price	Number of options
Outstanding at the beginning of the period	RMB0	16,736,000
Exercised during the period	—	—
Forfeited during the period	—	—
Granted during the period	—	—
Outstanding at the end of the period	RMB0	16,736,000
Vested and exercisable at the end of the period	—	—

19 COMMITMENTS

(a) Property development expenditure commitments

Property development expenditure committed at each balance sheet date but not yet incurred is as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Contracted but not provided for	196,365	16,884

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

Note	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Financial assets		
Financial assets at amortized cost:		
Trade and notes receivables	427,036	214,059
Lease receivables	5,293	9,439
Other receivables excluding prepayments	12,094	6,704
Time deposits	302,672	243,800
Cash and cash equivalents	1,156,834	994,968
Restricted cash	220,100	168,980
Financial assets at fair value:		
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
	2,603,362	2,214,913
Financial liabilities		
Financial liabilities at amortized cost:		
Borrowings	962,019	643,346
Trade and notes payables	1,614,961	1,341,258
Other payables	163,396	86,783
Lease liabilities	11,418	7,369
	2,751,794	2,078,756

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)
Fair Value Measurements of Financial Instruments

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at June 30, 2024				
Wealth management products, structured deposits and certificate of deposits	—	—	459,679	459,679
Debt instruments at fair value through other comprehensive income	—	—	18,296	18,296
	—	—	477,975	477,975

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
Wealth management products, structured deposits and certificate of deposits	—	2,416	542,910	545,326
Debt instruments at fair value through other comprehensive income	—	—	31,637	31,637
	—	2,416	574,547	576,963

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 RELATED PARTY TRANSACTIONS**(a) Name and relationship with related parties**

Name	Relationship with the Group
Mr. Ni Jie	Controlling Shareholder, Chairman of the Board of directors
Ms. Hu Jihong	Executive Director, Controlling Shareholder and spouse of Mr. Ni Jie
Ms. Ni Boyuan	Executive Director, daughter of Mr. Ni Jie and Ms. Hu Jihong
Mr. Chen Guosheng	Executive Director, chief financial officer and a joint company secretary
Jinhua Luchi New Energy Technology Co., Ltd. (" Jinhua Luchi ")	Associate
Linyi Luyuan Real Estate Co., Ltd. (" Linyi Luyuan ")	Note

Note: Linyi Luyuan was controlled by Ms. Hu Jihong from May 2016 to June 2022 with 70% equity interests. Ms. Hu Jihong disposed 63.33% equity interests in Linyi Luyuan to Hongyang (Shanghai) Project Management Center in June 2022. Since then, Ms. Hu Jihong did not control Linyi Luyuan but still holds 6.67% equity interests.

(b) Transactions with related parties

The Group has the following related party transactions:

(i) Purchase of raw materials and services

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Jinhua Luchi	844	2,843

(ii) Repayment of loans by a related party

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Linyi Luyuan	—	11,000

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Due to a related party

(i) Payables to a related party

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Jinhua Luchi	777	—

22 CONTINGENCIES

As at June 30, 2023 and 2024, there were no significant contingencies for the Group.

23 EVENTS AFTER REPORTING PERIOD

Save as disclosed in this interim report, no material events were undertaken by the Group subsequent to 30 June 2024.