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

LUYUAN

绿源

ANNUAL REPORT

2024

* For identification purpose only

CONTENTS

CORPORATE PROFILE

Luyuan Group Holding (Cayman) Limited (the "**Company**", together with its subsidiaries, the "**Group**") is a leading electric two-wheeled vehicle provider in mainland China focusing on the design, research and development, manufacturing and selling of electric two-wheeled vehicles.

The "Luyuan" brand has a history of nearly 28 years and has established a prominent presence in the highly competitive and concentrated electric two-wheeled vehicle market. Under the marketing tagline "Luyuan Liquid-cooled Electric Vehicles, A Ten-Year Ride" (綠源液冷電動車，一部車騎十年), showcasing the quality, durability and technological advantages of its liquid-cooled electric vehicles and other popular products.

The Group attaches great importance to technological advancements in the electric two-wheeled vehicle industry. The Company possessed over 700 patents as of December 31, 2024.

The Group operates three production plants located in Zhejiang, Shangdong and Guangxi. As of December 31, 2024, the annual production capacity of electric two-wheeled vehicles of the Group exceeded 5 million units. The construction of a new production facility in Chongqing City has commenced and is in steady progress as of the date of this annual report, the production capacity of which is expected to be incrementally elevated up to 2 million units annually by 2026.

The Group has built an extensive offline sales and distribution network and embraced informatization and established online retail channels, continuously improving the penetration and coverage of its products. As of December 31, 2024, the Group had over 1,400 distributors covering 328 cities across 31 provincial-level administrative regions and a total of over 12,800 offline retail outlets.

On October 12, 2023, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 2451).

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 *(Chairman)* Ms. Hu Jihong Mr. Chen Guosheng Ms. Ni Boyuan *(appointed on June 26, 2024)*
Non-executive director	David Ross Dingman (alias Mr. David R. Dingman) *(resigned on March 18, 2024)*
Independent non-executive directors	Mr. Wu Xiaoya Mr. Peng Haitao Mr. Liu Bobin Mr. Chan Chi Fung Leo
Joint Company Secretaries	Mr. Chen Guosheng *(resigned on March 28, 2025)* Mr. Ding Xiao *(appointed on March 28, 2025)* Ms. Chu Cheuk Ting *(ACG, HKACG)*
Authorized Representatives	Mr. Ni Jie Ms. Chu Cheuk Ting *(ACG, HKACG)*
Audit Committee	Mr. Wu Xiaoya *(Chairman)* Mr. Liu Bobin Mr. Peng Haitao
Remuneration Committee	Mr. Liu Bobin *(Chairman)* Ms. Hu Jihong Mr. Wu Xiaoya

CORPORATE INFORMATION

Nomination Committee	Mr. Liu Bobin *(Chairman)* Ms. Hu Jihong Mr. Wu Xiaoya
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 and Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 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

"AGM"	the annual general meeting of the Company to be held on May 22, 2025;
"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"	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 our Company as referred to in the sub-section headed "A. Further Information about our Group – 4. Resolutions in Writing of the Shareholders of Our Company Passed On August 21, 2023" in Appendix IV to the Prospectus;
"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands (As Revised), as amended, supplemented or otherwise modified from time to time;
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
"Chongqing Luyuan"	Chongqing Luyuan Electric Vehicle Co., Ltd. (重慶綠源電動車有限公司), a company established in the PRC with limited liability on October 25, 2023, an indirectly wholly-owned subsidiary of the Company;
"Chongqing Plant"	the production facility of the Group located in Wangu Town, Dazu Gaoxin District, Chongqing City, the PRC;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"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;

DEFINITIONS

"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"	our Company and its subsidiaries from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be);
"HKD", "HK$" or "Hong Kong Dollars"	Hong Kong dollars and cents, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons;
"Latest Practicable Date"	April 14, 2025, being the latest practicable date prior to the publication of this annual report;
"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;

DEFINITIONS

"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, spouse of Ms. Hu and father of Ms. Ni Boyuan;
"Ms. Hu"	Ms. Hu Jihong (胡繼紅), the co-founder of the Group, executive Director, controlling Shareholder of the Company, spouse of Mr. Ni and mother of Ms. Ni Boyuan;
"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;
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly;
"Pre-IPO Share Scheme"	the share scheme adopted by our Company pursuant to the written resolutions passed by the Board on July 20, 2023, the principal terms of which are set out in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Scheme" in Appendix IV to the Prospectus;
"Post-IPO Share Scheme"	the share scheme adopted by our Company pursuant to the written resolutions passed by our Shareholders on August 21, 2023, the principal terms of which are set out in "Statutory and General Information – D. Share Incentive Schemes – 2. Post-IPO Share Scheme" in Appendix IV to the Prospectus;
"Prospectus"	the prospectus of the Company dated September 28, 2023;
"Reporting Period"	the year ended December 31, 2024;
"RMB"	the lawful currency of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time;
"Shareholder(s)"	holder(s) of Share(s);

DEFINITIONS

"Share(s)"	ordinary share(s) in the capital of our Company with a par value of US$0.0001 each;
"Shipston"	Shipston Electric Vehicle Limited, a limited company incorporated in the Turks and Caicos Islands on February 23, 2011 and a pre-IPO investor;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"USD" or "US$"	United States dollars, the lawful currency for the time being of the United States;
"%"	per cent.

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

FIVE-YEAR FINANCIAL SUMMARY

CONDENSED CONSOLIDATED INCOME STATEMENTS

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	**5,071,956**	5,082,982	4,783,023	3,417,687	2,378,332
Profit before income tax	**125,431**	151,140	122,248	61,591	43,317
Profit for the year	**116,068**	145,607	118,030	59,260	40,281
Total comprehensive income for the year	**113,742**	141,022	119,734	58,404	39,629

CONDENSED CONSOLIDATED BALANCE SHEETS

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Assets					
Non-current assets	**1,656,054**	1,231,795	1,086,035	960,266	598,980
Current assets	**2,668,289**	2,630,686	2,097,965	1,705,627	969,268
Total assets	**4,324,343**	3,862,481	3,184,000	2,665,893	1,568,248
Equity and liabilities					
Capital and reserve attributable to equity holders of the Company	**1,496,421**	1,527,565	679,838	560,104	501,700
Non-controlling interests	**1,311**	–	–	–	–
Total equity	**1,497,732**	1,527,565	679,838	560,104	501,700
Non-current liabilities	**309,445**	505,833	389,024	165,940	15,875
Current liabilities	**2,517,166**	1,829,083	2,115,138	1,939,849	1,050,673
Total liabilities	**2,826,611**	2,334,916	2,504,162	2,105,789	1,066,548
Total equity and liabilities	**4,324,343**	3,862,481	3,184,000	2,665,893	1,568,248

CHAIRMAN'S STATEMENT

Dear Shareholders,

We would like to extend our heartfelt gratitude to all Shareholders for your unwavering support. On behalf of the Board, I am pleased to present the annual report of the Group for the year ended December 31, 2024.

2024 marked a significant milestone in Luyuan's development journey, being both the first full accounting year following our Listing and the commencement of our second entrepreneurial chapter. Despite global economic challenges, intensified industry competition, and the impact of new national standards, Luyuan achieved stable financial performance and encouraging results of operation. This was driven by a robust business strategy, exceptional technological innovation, and a steadfast market position, delivering substantial value to Shareholders and establishing a solid foundation for future growth.

STABLE FINANCIAL PERFORMANCE AND SOLID INVESTMENT RETURNS

In 2024, the electric two-wheeled vehicle industry entered a cyclical trough, with market demand slowing and the sector experiencing double-digit declines. Against this challenging backdrop, the revenue of the Group only declined by approximately 0.2%, from RMB5,083.0 million in 2023 to RMB5,072.0 million in 2024, maintaining stable revenue. Such resilience is especially noteworthy and highlights Luyuan's robust market presence and competitive edge. Our success stems from high-quality, cost-effective products, a healthy channel strategy, and stable partnerships with corporate and institutional customers, which together ensured revenue stability in challenging market conditions.

Although our profit for the year decreased by approximately 20.3%, from RMB145.6 million in 2023 to RMB116.1 million in 2024, primarily due to increased share-based payment expenses and research and development costs. Notably, the rise in research and development costs in 2024 was strategically directed toward intelligent technology, digital technology, sports and health technology, and the establishment of the Zhejiang Provincial Key Enterprise Research Institute, investments aimed at securing long-term growth. Despite the aforementioned decline in net profit, gross profit only fell by approximately 2.4%, from RMB681.2 million in 2023 to RMB665.0 million in 2024, with the gross margin holding steady at 13.1%, representing only a decrease of 0.3 percentage points year-on-year. This reflects the exceptional capabilities of the Group in cost management and product pricing.

Furthermore, the Group maintained a robust financial position, with cash and cash equivalents amounting to RMB554.5 million. To reward Shareholders for their enduring support, the Board proposed a final dividend of HKD0.15 per ordinary Share for the year ended December 31, 2024, reaffirming our commitment to investors and confidence in the future prospects of the Company.

CHAIRMAN'S STATEMENT

LEADING MARKET POSITION AND FAR-REACHING BRAND INFLUENCE

As one of the pioneers in China's electric two-wheeled vehicle industry, Luyuan has consistently upheld its technological leadership. In 2024, by refining and expanding our technology matrix, we concentrated efforts on three core pillars: durability, battery and range, and intelligence:

- **Durability Technology:** Luyuan achieved 100% coverage of durability technology across our product range, from entry-level to premium flagship models, while upholding the only 10-year warranty commitment in the industry, offering consumers a worry-free riding experience.

- **Battery and Range:** The introduction of our innovative "Digital Battery Maintenance System" effectively addressed usage challenges in low-temperature conditions, significantly enhancing product reliability and customer satisfaction.

- **Intelligence:** Leveraging intelligent connectivity technology, we are dedicated to delivering a seamless smart travel experience across all scenarios. Currently, 80% of our product series are fully equipped with intelligent features, providing consumers with convenient and advanced mobility solutions.

In an increasingly competitive market, the brand influence of Luyuan and market share remained steadfast. In 2024, the number of our distributors and retail outlets reached record high, and our Chongqing production plant, with the highest level of intelligence, was completed and commenced operations, further boosting production capacity and product quality. Moreover, innovations such as the digital battery maintenance system and solid-state electrical system significantly enhanced our brand's competitiveness, enabling us to maintain stable gross margins despite industry-wide declines in sales volumes and average selling prices.

STRATEGIC DEPLOYMENT TO PIONEER NEW GROWTH FRONTIERS

In 2024, Luyuan made significant strategic adjustments, integrating technology, distribution channels, and industrial resources to establish three growth trajectories:

- **First Growth Curve:** We continued to refine our core electric two-wheeled vehicle business, reinforcing market leadership through advancements in durability, range, and intelligence.

- **Second Growth Curve:** Positioning the LYVA brand, honed over a decade, as a strategic focus, we targeted high-income consumers with products such as electric-assisted bicycles for short-distance commuting and light sports. By incorporating AI-driven intelligence, we aim to deliver multi-scenario light travel solutions, tapping into a market with immense potential that is poised to become a key driver of the future performance of the Group.

- **Third Growth Curve:** We proactively ventured into emerging sectors such as battery swapping and rental services, developing an integrated platform for rental, swapping, and sales to complete our ecosystem across all travel scenarios. Despite currently being in its early stage, this strategy will establish the foundation for development of the Group over the next five to ten years.

CHAIRMAN'S STATEMENT

INTERNATIONAL EXPANSION TO TAP INTO GLOBAL MARKETS

While strengthening our foothold in the domestic market, Luyuan actively expanded internationally, with a focus on Southeast Asia and Europe. In 2024, we forged strong partnerships with local stakeholders, successfully introducing the Luyuan brand to new regions. This expansion not only generated additional revenue streams but also elevated our global brand presence, diversifying market risks, enhancing business diversification, and injecting fresh momentum into our long-term growth.

INNOVATION-DRIVEN LEADERSHIP FOR THE INDUSTRY'S FUTURE

Innovation remains the core driving force of our development. In 2024, we increased investments in intelligent technology, digital technology, and sports and health technology, establishing the Zhejiang Provincial Key Enterprise Research Institute to drive technological advancement and industrial transformation. Moving forward, we will continue to lead with innovation, launching products that meet evolving consumer needs and securing our position at the forefront of the industry.

ESG COMMITMENT

As a socially responsible enterprise, Luyuan has consistently prioritized environmental protection and sustainable development as key strategies. Our products enable consumers to reduce carbon emissions, while we minimize environmental impact through optimized production processes and eco-friendly materials. With the global emphasis on a green economy intensifying, Luyuan is committed to leading in this domain and contributing to a sustainable future.

OUTLOOK FOR THE FUTURE

Looking ahead, we are confident in the trajectory of our Group. The support from the PRC government for the environmental protection sector presents significant growth opportunities for the electric two-wheeled vehicle market, and Luyuan, with its industry-leading position and technological prowess, stands to benefit greatly. Against the backdrop of industry transformation during the New National Standard 8+3 transition period, we will firmly advance our strategic transformation, focusing on the following aspects:

- Evolving from an electric vehicle manufacturer to a comprehensive light mobility solution provider, not only focusing on the production of high-technology products but also emphasizing product innovation, business model innovation, and service innovation based on user operations.

- Implementing the "One Brand, Three Growth Curves" development strategy, consolidating our first curve of traditional business while vigorously developing innovative products and business models in the second curve, and proactively laying the groundwork for a diversified ecosystem in the third curve.

- Strengthening full-chain brand communication to enhance brand "top-of-mind awareness" and "favorability," creating a product portfolio with unique identification, and resolutely shifting from a follower position to a brand leader.

- Continuing to increase R&D investment, creating truly user-centered products and service systems by deeply researching user scenarios and actual needs.

- Deepening digital transformation by utilizing Internet of Things (IoT) and big data technologies to establish platforms for high-frequency user interaction, and realizing the transition from product sales to user-centric operations.

We believe that by implementing these strategic realignment initiatives, Luyuan will take advantage of first-mover opportunities amid industry changes, pioneering a new chapter in the electric two-wheeler and light mobility sectors, and creating greater long-term value for our Shareholders.

APPRECIATION

I extend my sincere appreciation to all employees for their dedication and to Shareholders for their steadfast support. It is your trust and efforts that have enabled Luyuan to progress steadily in this highly competitive market. We cordially invite all Shareholders to join hands with us and share in future growth and success of the Group.

Mr. Ni Jie
Chairman
March 28, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, China's macroeconomy maintained stable growth amidst complex conditions, with GDP exceeding RMB134 trillion, marking a year-on-year growth of 5.0%. Domestic consumption contributed 44.5% to economic expansion in China, providing substantial momentum to the electric two-wheeled vehicles market. Under the dual forces of regulatory tightening and market realignment, the industry underwent profound transformation, recording an 11.6% year-on-year decline in 2024. The comprehensive safety enhancement initiative in electric two-wheeled vehicles market has significantly elevated operational standards, accelerated industry consolidation, and improved charging infrastructure networks, collectively laying a robust foundation for sustainable sector development.

The electric two-wheeled vehicle market shows promising growth potential in the long run, driven by factors such as the New National Standard policy, natural replacement cycles, trade-in policies, as well as advancements in smart technologies. The implementation of the New National Standard policy is expected to accelerate brand consolidation, as higher quality requirements now imposed across the industry may prove challenging for smaller brands to meet. As the industry transitions from price-based to quality-focused competition, the Group is well-positioned to capitalize on these trends through its established manufacturing capabilities, robust quality control systems, continuous product innovation, and distinctive designs that collectively enhance brand value. Despite challenging industry-wide market conditions in 2024, the Group demonstrated remarkable resilience and achieved growth in revenue derived from sales of products of the Group. The Group recorded a decrease in net profit by approximately 20.3% from RMB145.6 million for the year ended December 31, 2023 to RMB116.1 million for the year ended December 31, 2024, mainly attributable to (i) the impact of share-based payments as a result of grant of the Post-IPO Share Awards (as defined in the Prospectus) by the Company; (ii) a decrease in gross profit with a decrease in average selling price per unit of the Group's electric vehicles in view of the Group's efforts to support its distributors and refinement of the Group's product composition in response to intensified market competition; and (iii) an increase in research and development costs. Nonetheless, after excluding the effect of share-based payment expenses of approximately RMB37.9 million, profit for the year recorded by the Group for the year ended December 31, 2024 was RMB154.0 million, representing only a slight decrease of approximately 5.9% compared to that of 2023.

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 December 31, 2024, the Group held 729 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.

In 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 22.1% from RMB189.4 million for the year ended December 31, 2023 to RMB231.2 million for the year ended December 31, 2024. Notably, in 2024, the Group had 313 new patent applications and received 247 new patent grants.

MANAGEMENT DISCUSSION AND ANALYSIS

Products

The Group has consistently strengthened its diversified product portfolio, with a comprehensive product line spanning entry-level, mid-tier, and premium models, strategically emphasizing growth in mid-to-high-end market segments. In 2024, we launched over 30 new models, including industry-leading products such as the S90, Moda8, and Cola10 series. Notably, all of our newly released models incorporated smart battery systems and Traction Control Systems (TCS) for anti-skid safety, innovations that resonated strongly with consumer demand and reinforced our technological leadership.

Production

The Group is committed to enhancing manufacturing and quality control capabilities. During the Reporting Period, we demonstrated proactive participation in the nationwide safety enhancement initiative for electric two-wheeled vehicles through strict compliance with national technical standards and continuous advancement in standardized, automated, and intelligent production systems. All three smart production plants in Zhejiang (Jinhua), Guangxi (Guigang), and Shandong (Linyi) have been included in the Ministry of Industry and Information Technology's (MIIT) Industry Whitelist for compliant electric bike manufacturers. Notably, our Chongqing smart production plant commenced trial operations in November 2024, representing Luyuan's most advanced production facility to date. Featuring the industry's largest single-unit assembly facility, the site is projected to achieve annual production capacity of 2 million units upon full ramp-up of the phase 1 of Chongqing smart production plant.

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 December 31, 2024, the Group's offline distribution network had covered 328 cities in 31 provincial-level administrative regions across mainland China, comprising over 1,400 distributors and over 12,800 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

During the Reporting Period, the Group expanded its international presence, adding 66 new international clients and entering 7 new countries. To boost brand awareness, the Group actively participated in international exhibitions, including the Indonesia exhibition and the spring Canton Fair. The Group has made significant progress in the Southeast Asian market, advancing battery and vehicle certification processes, initiated operations in South Asian countries along the Belt and Road Initiative, and begun research for potential expansion into European and American markets. These efforts position the Group for continued international growth and revenue diversification.

Marketing

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

Environmental, social, and governance

The Group endeavours to uphold the concept of green development, continuously optimizes resource utilization efficiency, and actively fulfils its social responsibility for low-carbon environmental protection. During the Reporting Period, the Group conducted a series of "National Safety Public Welfare Campaign" (全國安全公益行) activities in cities including Nanjing, Zhengzhou, Tianshui, Shanghai, and Hefei, focusing on promoting knowledge about electric vehicle battery safety and preventive measures, with a view to strengthening public awareness of safe usage. In the field of technological innovation, the Group's independently developed innovative technologies, such as digital batteries, have significantly improved battery safety and service life, with related achievements winning honours such as the "2024 ESG Pioneer Case" (2024 ESG時代先鋒案例). Meanwhile, the Group's newly built Chongqing smart production plant strictly follows "Green Factory" standards, actively exploring carbon neutrality practices throughout the product lifecycle through comprehensive green production processes and all-round energy-saving and carbon-reduction measures.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Amidst a rapidly evolving market landscape over the past year, the Group has identified emerging growth opportunities and formulated a comprehensive strategic roadmap. Beyond its core electric two-wheeled vehicle business, the Group plans to prioritize the development of premium electric-assisted bicycle in 2025 while strategically expanding into ecosystem services including battery-swapping infrastructure, shared mobility solutions, and enhanced after-sales services within the electric mobility sector.

In 2025, driven by policies such as trade-in programs and the transition to new national standards, China's electric bicycle market is projected to experience robust growth. Concurrently, as the updated national standards take full effect and industry-wide compliance rectification intensifies, non-compliant manufacturers will be systematically phased out, accelerating market share consolidation among industry leaders. These dynamic positions leading players to capitalize on emerging growth opportunities. With the gradual exit of substandard products, market competition is expected to shift from price-centric rivalry to quality-driven differentiation. The mid-to-high-end market segment will witness accelerated development, fuelled by continuous technological advancements and performance upgrades.

Amid evolving competitive dynamics, the Group will leverage its core technological strengths and product quality excellence to continuously enhance its competitive edge, thereby reinforcing the "Luyuan" brand's leadership position in China's electric two-wheeled vehicle market, a dominance sustained for nearly 28 years. Looking ahead, the Group remains committed to further strengthening its core competitiveness through the following growth strategies:

1. Sustained Reinforcement of Technological Barriers

The Group is committed to advancing its core technological capabilities. While continuously solidifying its leadership in proprietary technologies such as liquid-cooled motor systems, the Group plans to further enhance its digital battery management systems with improved thermal regulation and low-temperature performance, thereby extending battery lifespan and addressing critical safety concerns. By architecting an innovation-driven product ecosystem anchored in core technologies, the Group cultivates distinctive competitive advantages through brand-defining product attributes. To accelerate technology commercialization, the Group has established an integrated R&D platform that standardizes modular design protocols and streamlines development workflows. This infrastructure enables rapid market responsiveness and maximizes the deployment efficiency of proprietary technologies across product lines.

2. Strategic Intelligent Manufacturing Transformation

In alignment with the 14th Five-Year Plan, the Group is planning a strategic intelligent manufacturing transformation. This forward-looking initiative outlines the implementation of automation and industrial internet connectivity, the introduction of digital twin technology and AI in manufacturing processes, the development of standardized and modular component systems to reduce complexity, and the construction of demonstration smart factories with the goal of achieving national recognition by 2026. The Group projects that this transformation, once implemented, will significantly enhance quality consistency while reducing production costs, providing investors with a clear technological roadmap for sustainable competitive advantage in the evolving manufacturing landscape.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Proactive Market Demand Cultivation

The Group will continue to deepen its presence in the mainstream mass market by reinforcing product durability and other competitive strengths, ensuring sustained leadership in core operations. The Group will strategically explore overseas opportunities, targeting premium international markets through a smart, stylish, and low-carbon brand identity that aligns with global sustainability imperatives. According to industry research, the electric-assisted bicycle market has a projected market value growth from USD35 billion in 2024 to USD62 billion by 2030 at a compound annual growth rate of almost 10%. In the global market, Asia-Pacific, North America, and Europe are the main sales territories for electric-assisted bicycles, with the Asia- Pacific region accounting for approximately 63%, followed by Europe (31.4%) and North America (3.9%). Despite North America's relatively low market share at present, increased awareness of health and environmental concerns, worsening urban traffic congestion, and the expansion of bicycle lane networks would drive the future growth in this region. We believe that there is significant potential for expansion in the global electric-assisted bicycle market, and therefore, the Group will proactively expand into overseas markets to capitalize on international development opportunities, gradually establishing a global brand presence and influence.

The Group has foreseen substantial growth opportunities in the premium electric-assisted bicycle segment, which seamlessly integrates daily transportation convenience with health and wellness advantages. These sophisticated products attract urban consumers who had historically shunned conventional bicycles and electric two-wheelers, creating an entirely new market demographic. In order to secure a first-mover advantage, the Group successfully launched its "LYVA" brand with the first self-operated store in the famous cultural landscape, West Lake of Hangzhou for trial operations. As of the date of this report, the number of self-operated LYVA stores has reached four, with one in Beijing, two in Hangzhou, and one in Jinhua. The Group maintains an aggressive expansion roadmap for additional strategic locations, demonstrating its confidence in the LYVA brand and its electric-assisted bicycles.

While electric-assisted bicycles have achieved widespread adoption in developed markets such as Europe, their penetration in China has been constrained by premium pricing. As domestic consumption levels steadily rise, demand in the premium segment is poised to accelerate. Leveraging its proprietary mid-drive motor technology and superior manufacturing capabilities, the Group has delivered high-quality products at prices more aligned with Chinese consumers' purchasing power to catalyze market growth. In 2025, the Group will vigorously develop its "LYVA" premium electric-assisted bicycle brand, with quality benchmarked against international leaders and fashionable product design, to expand into the high-end electric-assisted bicycle market at the RMB10,000 price tier.

To strengthen its market differentiation and further cement its technological leadership in the industry, the Group is significantly enhancing its technological infrastructure through cutting-edge AI integration in product engineering and advancing its proprietary digital battery management system. Our LYVA's electric-assisted bicycles incorporate a comprehensive suite of advanced sensing technologies, including torque, speed, acceleration, drag, slope, and heart rate monitoring systems, working in tandem with AI algorithms to deliver personalized power assistance that surpasses competitive alternatives. Additionally, the Group has established a research consortium with Beijing University, Beijing Sport University, and other academic institutions to develop personalized "exercise prescriptions" for its electric-assisted products. This initiative is expected to strengthen the Group's position at the intersection of urban transportation and health technology, further differentiating its products in the price-sensitive and utility-focused market.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is also actively developing three complementary business lines under its ecosystem strategy. The first involves battery swapping services, where the Group has made a strategic investment in a start-up company that has secured policy support from local governments, particularly in Shenzhen. Through this strategic partnership, the Group can expand its battery exchange network and secure prime locations for battery exchange parks with regulatory support, creating potential for a steady recurring revenue stream. The second business line focuses on rental services tailored for scenic areas, campus mobility, and urban transportation, with integration into platforms like *Meituan* to facilitate customer acquisition. The third business line comprises aftermarket services, providing smart device retrofitting for existing vehicles to meet new national standards, addressing a market of approximately 400 million electric vehicles currently in circulation.

With its comprehensive strategy spanning product innovation, manufacturing excellence, market expansion, and new business models, the Group is strategically positioned to navigate industry transitions and capitalize on growth opportunities in the evolving electric two-wheeled vehicle industry. The integration of battery swapping infrastructure, versatile rental services, and aftermarket retrofitting creates multiple revenue streams beyond traditional sales while addressing key consumer pain points. As the Group continues to advance its technological capabilities and expand its ecosystem, it is establishing a sustainable competitive advantage that positions it for long-term growth in both domestic and international markets.

REVENUE

The Group recorded revenue of RMB5,072.0 million in 2024, representing a decrease of approximately 0.2% from RMB5,083.0 million in 2023, primarily due to a decrease in the average selling price per unit of the Group's electric vehicles in view of the refinement of the Group's product composition in response to intensified market competition.

	For the year ended December 31,			
	2024		2023	
	RMB'000	**%**	RMB'000	%
Types of products				
Electric bicycles	**3,016,537**	**59.5**	2,699,887	53.1
Electric scooters(1)	**711,438**	**14.0**	1,021,390	20.1
Batteries(2)	**1,045,918**	**20.6**	1,093,648	21.5
Electric two-wheeled vehicle parts(3)	**232,854**	**4.6**	201,200	4.0
Others	**28,005**	**0.6**	1,408	0.0
Subtotal	**5,034,752**	**99.3**	5,017,533	98.7
Types of services				
Training services	**14,460**	**0.3**	26,611	0.5
Others	**22,744**	**0.4**	38,838	0.8
Subtotal	**37,204**	**0.7**	65,449	1.3
Total	**5,071,956**	**100.0**	5,082,982	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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 our electric two-wheeled vehicles.

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

Revenue from electric bicycles increased by approximately 11.7% from RMB2,699.9 million in 2023 to RMB3,016.5 million in 2024, primarily due to increase in sales volume of electric bicycles mainly driven by the Group's product reliability, a robust system of services and intelligent manufacturing that ensured large-scale delivery, which were conducive to the Group's expansion into the commercial market while solidifying its position in the consumer market during the Reporting Period, thereby generating strategic synergies and revenue growth.

Revenue from electric scooters decreased by approximately 30.3% from RMB1,021.4 million in 2023 to RMB711.4 million in 2024 and revenue from sales of batteries decreased by approximately 4.4% from RMB1,093.6 million in 2023 to RMB1,045.9 million in 2024, primarily due to a structural change in market demand.

Revenue from electric two-wheeled vehicle parts increased by approximately 15.7% from RMB201.2 million in 2023 to RMB232.9 million in 2024, primarily due to the Group's efforts in strengthening the diversification of product offerings and expanding its sales channels.

Revenue from other products increased significantly by approximately 1,889.0% from RMB1.4 million in 2023 to RMB28.0 million in 2024, primarily due to an increase in the sales of tricycles as a result of the Group's strategic diversification and expansion of its product offerings.

COST OF SALES

Cost of sales of the Group remained relatively stable at RMB4,401.7 million in 2023 and RMB4,406.9 million in 2024, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, gross profit for the Group decreased by approximately 2.4% from RMB681.2 million in 2023 to RMB665.0 million in 2024.

The gross profit margin for the Group remained relatively stable at 13.4% in 2023 and 13.1% in 2024, respectively.

SELLING AND MARKETING COSTS

Selling and marketing costs decreased by approximately 1.5% from RMB316.2 million in 2023 to RMB311.6 million in 2024, primarily attributable to optimized advertising through precision marketing and digital channels to focus on high-conversion scenarios, which enhanced the synergy between brand building and performance of the Group while achieving a structural reduction in marketing costs.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 4.6% from RMB99.2 million in 2023 to RMB103.8 million in 2024, primarily attributable to an increase in share-based payments.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by approximately 22.1% from RMB189.4 million in 2023 to RMB231.2 million in 2024, primarily attributable to an increase in (i) share-based payments and (ii) research and development projects, including research and development on mid-drive motor and digital battery management system.

REVERSAL/(PROVISION) OF IMPAIRMENT ON FINANCIAL ASSETS

The Group recognized a reversal of impairment on financial assets of RMB52,000 in 2024, while it recognized a provision of impairment on financial assets of approximately RMB0.9 million in 2023, primarily attributable to recovery of historical bad debts.

OTHER INCOME

Other income of the Group increased by approximately 40.5% from RMB62.7 million in 2023 to RMB88.1 million in 2024, primarily attributable to an increase in government grants.

OTHER EXPENSE

Other expense of the Group increased by approximately 88.3% from RMB6.5 million in 2023 to RMB12.3 million in 2024, primarily attributable to an 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 82.0% from RMB8.7 million in 2023 to RMB15.9 million in 2024, primarily due to 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.

FINANCE INCOME – NET

Finance income – net of the Group increased by approximately 53.8% from RMB10.7 million to RMB16.4 million in 2024, primarily due to an increase in interest income on bank deposits.

SHARE OF RESULTS OF ASSOCIATES

The Group's share of results of associates represents the profits attributable to it from its equity interest in several associates. The Group recorded share of results of loss of RMB1.2 million in 2024, while it recorded share of results of profit of RMB73,000 in 2023, primarily because the associates of the Group recorded net loss for the year ended December 31, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSES

Income tax expenses of the Group increased by approximately 69.2% from RMB5.5 million in 2023 to RMB9.4 million in 2024, primarily attributable to an increase in PRC corporate income tax due to distribution of dividends by the subsidiaries of the Company.

PROFIT FOR THE YEAR

As a result of the foregoing, profit for the year of the Group decreased by approximately 20.3% from RMB145.6 million in 2023 to RMB116.1 million in 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 19.3% from RMB254.0 million as of December 31, 2023 to RMB303.1 million as of December 31, 2024, primarily due to an increase in raw materials and goods in transit in preparation for increasing customer orders for the products of the Group.

TRADE RECEIVABLES

The Group's trade receivables increased by approximately 69.6% from RMB184.4 million as of December 31, 2023 to RMB312.7 million as of December 31, 2024, primarily due to an increase in credit sales to corporate and institutional customers.

OTHER RECEIVABLES AND PREPAYMENTS

The Group's other receivables and prepayments increased by approximately 25.6% from RMB330.7 million as of December 31, 2023 to RMB415.3 million as of December 31, 2024, primarily due to an increase in prepayments for advertising, design, construction and equipment.

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 December 31, 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.

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 30.9% from RMB958.6 million as of December 31, 2023 to RMB1,255.3 million as of December 31, 2024, primarily due to capacity expansion of the Group's three production plants located in Zhejiang, Shandong and Guangxi and the ongoing construction of the Chongqing Plant.

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 9.8% from RMB545.3 million as of December 31, 2023 to RMB491.7 million as of December 31, 2024, primarily attributable to the redemption of certain large-sum certificate of deposits upon maturity. For the Reporting Period, the Company recorded gains from fair value changes on financial assets at FVTPL of RMB20.2 million. The Group's investment in wealth management products and structured deposits is for the purpose of improving the return on idle cash and bank balances.

TRADE PAYABLES

The Group's trade payables increased by approximately 8.5% from RMB445.6 million as of December 31, 2023 to RMB483.3 million as of December 31, 2024, primarily due to increase in procurement of inventories in preparation for the increasing customer orders for the products of the Group.

CAPITAL STRUCTURE

The total assets of the Group increased by approximately 12.0% from RMB3,862.5 million as of December 31, 2023 to RMB4,324.3 million as of December 31, 2024. The total liabilities of the Group increased by approximately 21.1% from RMB2,334.9 million as of December 31, 2023 to RMB2,826.6 million as of December 31, 2024. Liabilities-to-assets ratio increased from 60.5% as of December 31, 2023 to 65.4% as of December 31, 2024. The current ratio of the Group, being current assets divided by current liabilities as of the respective date, decreased from 1.44 times as of December 31, 2023 to 1.06 times as of December 31, 2024.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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. Cash and cash equivalents of the Group decreased by approximately 44.3% from RMB995.0 million as of December 31, 2023 to RMB554.5 million as of December 31, 2024, primarily attributable to the decrease in the balance of Net Proceeds. During the year ended December 31, 2024, the Group did not use any financial instrument for hedging purpose and did not have any outstanding hedging instruments as of December 31, 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 42.6% as of December 31, 2023 to 68.1% as of December 31, 2024, primarily due to an increase in discounted bills.

MANAGEMENT DISCUSSION AND ANALYSIS

As of December 31, 2024, the Group had interest-bearing bank and other borrowings of RMB1,002.3 million (as of December 31, 2023: RMB643.3 million), representing 35.5% (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 the Group as of December 31, 2024, RMB742.9 million (as of December 31, 2023: RMB166.0 million) were repayable within one year and RMB259.5 million (as of December 31, 2023: RMB477.3 million) were repayable beyond one year. The Group's bank borrowings amounting to RMB298.4 million as of December 31, 2024 (as of December 31, 2023: RMB279.8 million) were borrowings with fixed interest rates.

As of December 31, 2024, banking facilities of the Group totaling RMB2,535.0 million (as of December 31, 2023: RMB1,665.0 million) were utilized to the extent of RMB1,116.4 million (as of December 31, 2023: RMB921.6 million).

CAPITAL EXPENDITURES

The Group's capital expenditures increased by approximately 113.2% from RMB203.3 million in 2023 to RMB433.4 million 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 at 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 December 31, 2024, the Group had 3,085 employees, as compared with 2,906 employees as of December 31, 2023. Total staff costs, including employee benefit expenses and outsourcing labor fee and Directors' remuneration, were RMB497.4 million in 2024, representing an increase of approximately 4.0% from RMB478.1 million in 2023, such increase was primarily due to an increase in share-based payments incurred from the operation of the Pre-IPO Share Scheme.

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 its shares (the "**Shares**"), the Company adopted the Pre-IPO Share Scheme (as defined in the Prospectus) on July 20, 2023 and conditionally adopted the Post-IPO Share Scheme (as defined in the Prospectus) on August 21, 2023.

As of December 31, 2024, (i) share options which corresponded to an aggregate of 16,736,000 underlying Shares, representing approximately 4.08% of the total issued Shares (excluding treasury Shares) as of December 31, 2024, had been granted to 108 Eligible Participants (as defined in the Prospectus) under the Pre-IPO Share Scheme and, among which, (ii) share options which corresponded to an aggregate of 15,321,275 underlying Shares, representing approximately 3.7% of the total issued Shares (excluding treasury Shares) as of December 31, 2024, remained outstanding under the Pre-IPO Share Scheme. Further details 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.

As of December 31, 2024, 3,212,500 Post-IPO Share Awards (as defined in the Prospectus), involving a total of 3,212,500 Post-IPO Award Shares (as defined in the Prospectus), which represent approximately 0.78% of the total Shares in issue (excluding treasury Shares) as of the date of this report, has been granted to 107 eligible participants at nil consideration under the Post-IPO Share Scheme. Further details are set out in the announcement of the Company dated July 3, 2024. Further details 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.

CONTINGENT LIABILITIES

As of December 31, 2024, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As of December 31, 2024, the property, plant and equipment and right-of-use assets of the Group with net book values of RMB463.0 million and RMB86.4 million (as of December 31, 2023: RMB495.6 million and RMB88.4 million) respectively were pledged as collateral for the Group's borrowings.

Certificate of deposits of the Group in the amount of RMB467.1 million were pledged as security for the Group's notes payable as of December 31, 2024 while wealth management products and structured deposits and certificate of deposits of the Group in the amount of RMB447.4 million were pledged as security for the Group's notes payable as of December 31, 2023,

As of December 31, 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 December 31, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As of December 31, 2024, the Group did not hold any significant investment. The Group did not conduct any material acquisition or disposal of any subsidiaries, associates and joint ventures during the Reporting Period. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, during the Reporting Period, there was no specific plan authorized by the Board for other material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development.

USE OF PROCEEDS

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

On August 30, 2024, the Board had resolved to reallocate HKD42.0 million of the unutilized Net Proceeds, which was originally intended to be used for the capacity expansion plan of the Group's Shandong Plant, to acquisition of land use rights and production infrastructure construction in relation to the construction of a new production facility in a Southwestern China city with mature supply chains and supporting resources (the "**Reallocation**"). After considering the current regional business environment, market uncertainties and the development needs of the Group, the Group took a cautious approach in implementing the capacity expansion plan (the "**Plan**") of the Shandong Plant and had temporarily suspended certain projects under the Plan. Further, as the Group had successfully acquired the state-owned construction land use rights for a parcel of land in Dazu District, Chongqing City, PRC for the purpose of constructing the Chongqing Plant as disclosed in the Company's announcement dated March 1, 2024, the Board has decided to better allocate the Net Proceeds to meet the construction costs and expenses that may incur from time to time from the construction of the Chongqing Plant, which has commenced and is in steady progress 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 use of Net Proceeds from the initial public offering (In HKD millions)	Revised intended use of Net Proceeds from the initial public offering (In HKD millions)	Unutilized Net Proceeds as of December 31, 2023 (In HKD millions)	(Before Reallocation) Unutilized Net Proceeds as of August 30, 2024 (In HKD millions)	(After Reallocation) Unutilized Net Proceeds as of August 30, 2024 (In HKD millions)	Utilized Net Proceeds as of December 31, 2024 (In HKD millions)	Unutilized Net Proceeds as of December 31, 2024 (In HKD millions)	Timeframe for the unused balance
Expand research and development capabilities to maintain the Group's technical edge	**211.9**	**211.9**	**184.1**	**85.0**	**85.0**	**170.9**	**41.0**	**By the end of June 2025[2]**
Research and development of new and upgraded products as well as technologies	169.5	169.5	162.8	77.0	77.0	128.5	41.0	By the end of June 2025[2]
Recruitment of additional research and development personnel	21.2	21.2	21.1	8.0	8.0	21.2	–	–
Other research and development costs, including purchasing and upgrading research and development equipment	21.2	21.2	0.2	–	–	21.2	–	–
Strengthen sales and distribution channels and raising brand awareness	**211.9**	**211.9**	**143.1**	**17.5**	**17.5**	**205.9**	**6.1**	**By the end of 2025[2]**
Expand and optimize the Group's retail outlets in mainland China	127.2	127.2	97.4	9.7	9.7	127.2	–	–
Branding and marketing activities	63.6	63.6	26.5	0.5	0.5	63.6	–	–
Enhance online channels and bring online traffic to the Group's physical retail outlets	10.6	10.6	8.6	–	–	10.6	–	–[2]
Expand the Group's sales in international markets	10.6	10.6	10.6	7.4	7.4	4.5	6.1	By the end of 2025[2]
Strengthen the Group's production capabilities	**211.9**	**211.9**	**205.7**	**69.0**	**69.0**	**202.9**	**9.1**	**By the end of June 2025[2]**
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	2.2	44.2	126.8	–	–
Capacity expansion plan of the Group's Shandong Plant	63.6	21.6	59.9	51.5	9.5	21.6	–	–
Capacity expansion plan of the Group's Guangxi Plant	63.6	63.6	61.0	15.3	15.3	54.5	9.1	By the end of June 2025[2]
Working capital and other general corporate purposes	**70.6**	**70.6**	**25.2**	**–**	**–**	**70.6**	**–**	**–[2]**
Total	**706.4**	**706.4**	**558.0**	**171.5**	**171.5**	**650.3**	**56.2**	**By the end of 2025**

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

(2) Save for the Reallocation, the Net Proceeds have been used according to the intentions previously disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus and in the Company's annual report and announcement of annual results for the year ended December 31, 2023 and interim report and announcement of interim results for the six months ended June 30, 2024. 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 August 30, 2024 respectively. Also, due to delay in completion of project checking administrative procedures, use of HKD9.1 million for capacity expansion of the Group's Guangxi Plant has been delayed and is expected to be fully utilized by the end of June 2025. 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 and overseas market development. Accordingly, the use of Net Proceeds for (i) 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 HKD41.0 million as of December 31, 2024 are expected to be fully utilized by the end of June 2025 and (ii) expanding the Group's sales in international markets had been delayed and unutilized Net Proceeds for this purpose of approximately HKD6.1 million as of December 31, 2024 is expected to be fully utilized by the end of 2025. The Directors considered that such delay in the utilization of the Net Proceeds will not have any material adverse impact on the operation of the Group.

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

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

ROUNDING

Certain amounts and percentage figures included in this 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 December 31, 2024 which could have a material impact on the operating and financial performance of the Group as of the date of this report.

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS

Executive Directors

Mr. Ni Jie (倪捷), aged 63, is the co-founder of the Group, chairman of the Board and executive Director. He is also the controlling Shareholder of the Company. He is the husband of Ms. Hu and father of Ms. Ni Boyuan. Mr. Ni is primarily responsible for formulating the development strategies and overseeing the management and research of the Group.

As of the Latest Practicable Date, (i) Mr. Ni wholly owned Drago Investments, which held 131,200,000 Shares, representing approximately 30.75% of the total issued share capital in the Company; and (ii) Mr. Ni and his spouse, Ms. Hu, each owned 50% of the total issued share capital in Best Expand, which held 15,264,000 Shares, representing approximately 3.58% of the total issued share capital in the Company. Apex Marine, which held 131,200,000 Shares, representing approximately 30.75% of the total issued share capital in the Company, is wholly owned by Ms. Hu as of the Latest Practicable Date. Accordingly, Mr. Ni is interested or deemed to be interested in 277,664,000 Shares, representing approximately 65.08% of the total issued share capital in the Company.

Mr. Ni has over 35 years of experience in product development, including more than 27 years of experience in the electric two-wheeled vehicle industry. He had been the chairman of the board of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) from May 2003 to December 2017 and the president since January 2018, where he was primarily responsible for formulating development strategies and overseeing the overall management and research operation of the company. Mr. Ni served various positions roles at the Zhejiang Jinhua Welding Equipment and Materials Factory (浙江金華焊接設備材料廠), including the chief engineer and deputy factory manager from February 1989 to May 1994. He also served as the chairman of the board of Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司), an electric two-wheeled vehicle manufacturer from July 1997 to May 2003 and as a business and economics lecturer at Ningbo University (寧波大學) in the PRC from July 1986 to February 1990. Mr. Ni has been the vice chairman of the technical committee of the China Bicycle Association (中國自行車協會) since November 2019 and was awarded first prize in the Science and Technology Invention Award in the Liquid Cooled Integrated Motors category, first prize in the Science and Technology Progress Award in the Double Cabin High Speed Motors category and second prize in the Science and Technology Progress Award in the Technology Development of High Efficiency Liquid Cooled Motors for Electric Vehicles category by the China National Light Industry Council (中國輕工業聯合會) in March 2023, March 2022 and January 2021, respectively. He was also a member of the standing committee of the 5th, 6th, 7th and 8th Jinhua City, Zhejiang Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議浙江省金華市委員會). In addition, Mr. Ni has acquired rich industry experience and obtained a number of industry awards, including being selected as one of the top 10 businessmen in Zhejiang (風雲浙商) in 2005, the second session of leading figure of China's industrial industry (第二屆中國工業行業領軍人物) by the China Industrial Economy Annual Person Selection Office (中國工業經濟年度人物評選活動辦公室), one of the top 10 industry persons (電動車行業十大風雲人物) by China Energy Power (中國能源動力) in 2013, one of the top 10 industry persons (電動車行業十大風雲人物) by China Network Television (央視網) in 2010, Business Leader of the Year (年度領袖商業人物) by Cailian Press (財聯社) in 2023 and being awarded as a meritorious entrepreneur in Zhejiang province (浙江省功勳企業家) by Zhejiang Enterprise Federation (浙江省企業聯合會), Zhejiang Entrepreneur Association (浙江省企業家協會) and Zhejiang Industrial Economy Federation (浙江省工業經濟聯合會), collectively, in 2018. In addition, in 2024, Mr. Ni was also recognized as a pioneering entrepreneur for New Quality Productivity (新質生產力先

DIRECTORS AND SENIOR MANAGEMENT

鋒企業家) by the 7th CLS Investment Summit of 2024 (財聯社第七屆投資年會). Mr. Ni has also served as the president of the Zheshang National Council Presidium (浙商全國理事會主席團主席) in 2010 and 2011, the vice chairman of the ninth council of the China Bicycle Association (中國自行車協會第九屆理事會副理事長) in 2018 and the vice president of the alumni association of University of Science and Technology of China (中國科學技術大學校友會副會長) in 2021.

Mr. Ni received his master's degree in engineering majoring in communication and electronic systems and bachelor's degree in engineering majoring in radio electronics from the University of Science and Technology of China (中國科學技術大學) in the PRC in October 1986 and July 1983, respectively. Mr. Ni obtained the qualification certificate of engineering issued by Jinhua Municipal People's Government in December 1993 and obtained the professional qualification as certified senior engineer issued by the Zhejiang Machinery Industry Federation (浙江省機械工業聯合會) in December 2019.

Mr. Ni was a director, supervisor or general manager of various companies that were either incorporated in Hong Kong or established in the PRC prior to their deregistration/suspension/strike off/business license revoked. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

Ms. Hu Jihong (胡繼紅), aged 59, is the executive Director, co-founder and chief executive officer of the Group. Since May 2003, she has been the president of the Group where she is primarily responsible for the overall management and operation of the Group. She is the wife of Mr. Ni and mother of Ms. Ni Boyuan.

As of the Latest Practicable Date, (i) Ms. Hu wholly owned Apex Marine, which held 131,200,000 Shares, representing approximately 30.75% of the total issued share capital in the Company; and (ii) Ms. Hu and her spouse, Mr. Ni, each owned 50% of the total issued share capital in Best Expand, which held 15,264,000 Shares, representing approximately 3.58% of the total issued share capital in the Company. Mr. Ni wholly owned Drago Investments, which held 131,200,000 Shares, representing approximately 30.75% of the total issued share capital in the Company as of the Latest Practicable Date. Accordingly, Ms. Hu is interested or deemed to be interested in 277,664,000 Shares, representing approximately 65.08% of the Shares.

Ms. Hu has over 27 years of experience in the electric two-wheeled vehicle industry. She served various positions at Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), including the president from May 2003 to December 2017 and has been the chairman of its board since January 2018, where she is primarily responsible for planning and making major decisions for the company and overseeing the management and daily operations of the company. Ms. Hu also worked as a mathematics lecturer in Ningbo University (寧波大學) in the PRC from June 1988 to February 1989 and as the deputy factory manager of Zhejiang Jinhua Welding Equipment and Materials Factory (浙江金華焊接設備材料廠) from February 1989 to May 1994, where she was responsible for the development of welding equipment and materials production. She was also the president of Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司) from July 1997 to May 2003. She is a representative of the 12th Shandong Provincial People's Congress and has been the vice chairperson of the China Fashion and Color Association (中國流行色協會) since December 2019. She was awarded the Jinhua Outstanding Entrepreneur (Golden Bull Award) (金華市優秀企業家(金牛獎)稱號) by the Organization Department of the Jinhua Municipal Committee of the Communist Party of China (中共金華市委組織部), the New Economy and New Social Organization Working Committee of the Jinhua Municipal Committee of the Communist Party of China (中共金華市委新經濟與新社會組織工作委員會), the Jinhua

DIRECTORS AND SENIOR MANAGEMENT

Economic and Information Commission (金華市經濟和信息化委員會), the Jinhua Federation of Trade Unions (金華市總工會), the Jinhua Enterprise Federation (金華市企業聯合會) and the Jinhua Entrepreneurs Association (金華市企業家協會), collectively, in 2013 and the 5th Zhejiang Outstanding Female Entrepreneur (浙江省第五屆浙商女傑稱號) by Zhejiang Private Enterprise Development Federation (浙江省民營企業發展聯合會), Zhejiang Association for the Promotion of Regional Economic Cooperation Enterprise Development (浙江省區域經濟合作企業發展促進會), Zhejiang Administration for Industry and Commerce News Center (浙江省工商行政管理局新聞中心), Zhejiang Market Association (浙江省市場協會) and Market Guide (市場導報社), collectively, in 2012. She received her master's and bachelor's degree in power system and automation from Hefei University of Technology (合肥工業大學) in the PRC in July 1988 and August 1985, respectively, and an executive master of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2014.

Ms. Hu was a director, supervisor or general manager of the various companies that were either incorporated in Hong Kong or established in the PRC prior to their deregistration/strike off/business license revoked. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

Mr. Chen Guosheng (陳郭勝), aged 49, was appointed as the executive Director and chief financial officer of the Group. He is primarily responsible for financial and capital management and product risk control of the Group. Mr. Chen has been the vice president of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) since January 2012.

Prior to joining the Group, he worked as a lawyer in Shanghai Zhengguan Changhong Law Firm (上海正貫長虹律師事務所) and also in Zhejiang Lianhao Law Firm (浙江聯浩律師事務所) from 2003 to 2004 and from 2006 to 2011.

Mr. Chen graduated from Ningbo University (寧波大學) in the PRC with a major in law in July 2002. He obtained the Legal Profession Qualification Certificate of the PRC issued by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in September 2002.

Mr. Chen was a supervisor of Linyi Luling Property Service Co., Ltd. (臨沂市綠領物業服務有限公司), which was established in the PRC prior to its deregistration. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

Ms. Ni Boyuan (倪博原), aged 32, is the vice president of the Group since January 2021 and is primarily responsible for marketing of the Group, including brand promotion, retail operation and product planning. She is the daughter of Mr. Ni and Ms. Hu. Prior to joining the Group, Ms. Ni led the management and operations of Hangzhou Luling Internet Technology Co., Ltd (杭州綠領網絡科技有限公司), a software development company, as an executive director from March 2015 to September 2016. From September 2016 to February 2018, she was the chairperson of the board of Hangzhou Luling Internet Technology Co., Ltd (杭州綠領網絡科技有限公司). Ms. Ni joined the Group in March 2018 as the assistant to the chairman of the board of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) ("**Zhejiang Luyuan**"), a wholly-owned subsidiary of the Company. She was then the director of the new retail department of Zhejiang Luyuan from January 2019 to December 2020 and has been appointed as the vice president of Zhejiang Luyuan since January 2021.

Ms. Ni received her bachelor's degree in arts from Mount Holyoke College in the United States in May 2015.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Wu Xiaoya (吳小亞), aged 51, was appointed as the independent non-executive Director in July 2022. He is primarily responsible for providing independent advice and judgment to the Board.

Mr. Wu has over 16 years of experience in audit. From November 2007 to December 2012, he served as the head of the firm at Anhui Huawan Accounting Firm (安徽華皖會計師事務所). Since 2014, he has been the managing partner of Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)) and the head of Anhui branch of Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)安徽分所).

Currently, Mr. Wu serves as the independent director of two companies, namely, Yiwu Technology Co., Ltd. (壹物科技股份有限公司), a company principally engaged in the production and sales of polymer materials and electrostatic protective materials for semiconductor liquid crystals, since April 2020 and Anhui Jing Sai Technology Co., Ltd. (安徽晶賽科技股份有限公司), a company listed on NEEQ (stock code:871981) that is principally engaged in the design, research and development and production and sales of quartz crystal oscillator and its packaging materials, since April 2021. Mr. Wu also served as the independent director of (i) Anhui Yangzi Floor Co., Ltd. (安徽揚子地板股份有限公司), a company listed on NEEQ (stock code: 430539) that is principally engaged in the research and development, production and sales of flooring, from April 2016 to May 2022; (ii) NanJi E-Commerce Co., Ltd. (南極電商股份有限公司), a company listed on the SZSE (stock code: 002127) which is engaged in e-commerce and brand authorisation services and mobile internet marketing, from June 2018 to September 2024; and (iii) Anhui A-rising New Energy Incorporated Company (安徽安瑞升新能源股份有限公司), a company listed on NEEQ (stock code: 834489) that is primarily engaged in the wholesale and sales of compressed natural gas in parent station and substation, from December 2019 to September 2024.

Mr. Wu has been a certified public accountant granted by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in the PRC since June 2001. He graduated from the Southwestern University of Finance and Economics (西南財經大學) in the PRC with a major in finance in September 2004 through distance learning.

Mr. Wu was a supervisor of various companies which were established in the PRC prior to their deregistration. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

Mr. Wu was a supervisor of various companies which were established in the PRC prior to their deregistration. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Peng Haitao (彭海濤), aged 66, was appointed as the independent non-executive Director in July 2022. He is primarily responsible for providing independent advice and judgment to the Board.

Mr. Peng has extensive years of experience in the organization, operation, management and development of markets, consumers and enterprises including working for PepsiCo (China) Limited (百事(中國)有限公司) whose parent company, PepsiCo, Inc., is listed on the New York Stock Exchange (stock code: PEP), the Shanghai branch of Standard Chartered Bank (UK) Limited (英國渣打銀行有限責任公司上海分行) and the Beijing Representative office of NBA Properties, Inc.(美國籃球協會資產有限公司北京代表處). Besides, from April 2013 to July 2021, Mr. Peng was the legal representative of Inspiring (Shanghai) Investment Management Co., Ltd. (盈思百靈(上海)投資管理有限公司), a company that was principally engaged in investment management and consultation. He was also the personnel director of Pfizer Pharmaceuticals Limited, a pharmaceutical company whose parent company, Pfizer Inc., is listed on the New York Stock Exchange (stock code: PFE), in September 1990.

Mr. Peng received his bachelor's degree in engineering majoring in relay protection and power system automation from Northeast Electric Power University (東北電力大學), formerly known as Northeast China Institute of Electric Power Engineering (東北電力學院), in the PRC in July 1983. He subsequently received his master's degree in business administration from The State University of New York in the United States in June 1991.

Mr. Peng was a supervisor or general manager of various companies which were established in the PRC prior to their deregistration. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

Mr. Liu Bobin (劉伯斌), aged 51, was appointed as the independent non-executive Director in July 2022. He is primarily responsible for providing independent advice and judgment to the Board.

He worked as a telecommunication equipment manufacturer at Nanjing Zhongxing Software Co., Ltd. (南京中興軟件有限責任公司) from July 1996 to September 2008. Since August 2008, Mr. Liu has been working in Shanghai Zxelink Co., Ltd. (上海中興易聯通訊股份有限公司), formerly known as Shanghai Zhongxing Telecom Equipment Technologies Corporation (上海中興通訊技術股份有限公司), which was delisted from NEEQ since February 2021 and is a subsidiary of ZTE Corporation, a company focused in the research and development of telecommunication products, and is currently serving as the director and general manager.

Mr. Liu received his bachelor's degree in engineering from Tsinghua University (清華大學) in the PRC in July 1996 and subsequently received his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in October 2014.

Mr. Liu was a director of Shandong Bobei Information Technology Co., Ltd. (山東博貝信息科技有限公司), which was established in the PRC prior to its deregistration. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Chi Fung Leo (陳志峰), aged 46, was appointed as the independent non-executive Director in June 2023. He is primarily responsible for providing independent advice and judgment to the Board.

Mr. Chan has over 21 years of experience in finance and accounting industry. He was a staff accountant at Ernst & Young from September 2001 to March 2004 and an executive at Kingsway Group Services Limited from January 2005 to June 2006. From June 2006 to July 2007, he was an associate at the corporate finance department of CCB International Capital Limited. From August 2007 to December 2011, he worked at BNP Paribas (Asia Pacific) Limited and his last position was an associate at the corporate finance. From December 2011 to April 2015, he worked for CITIC Securities International Company Limited, and his last position was a director at corporate finance department. Mr. Chan was a deputy managing director of VBG Capital Limited from May 2015 to April 2016 and the managing director of LY Capital Limited from May 2016 to October 2017. Since October 2017, Mr. Chan is the managing director of Red Solar Capital Limited, where he is mainly responsible for IPO and merger and acquisition projects.

Mr. Chan has been an independent non-executive director respectively of Sisram Medical Ltd., a listed company on the Stock Exchange (stock code: 1696), since August 2017 and of Ziyuanyuan Holdings Group Limited, a listed company on the Stock Exchange (stock code: 8223), since June 2018. From October 2020 to June 2023, Mr. Chan was also an independent non-executive director of Jinke Smart Service Group Co., Ltd., a listed company on the Stock Exchange (stock code: 9666).

Mr. Chan obtained his bachelor's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan has been a member of Hong Kong Institute of Certified Public Accountants since October 2005.

Mr. Chan was a director of Shockley Technology Holdings Limited (肖克利科技控股有限公司), which was incorporated in the Cayman Islands prior to its dissolution. Further details are set out in the section headed "Directors and Senior Management – Directors – Other disclosure pursuant to Rule 13.51(2) of the Listing Rules" in the Prospectus.

SENIOR MANAGEMENT

Mr. Chen Wensheng (陳文勝), aged 54, was appointed as the vice president of the Group in December 2013 and is primarily responsible for overall research and development of the Group, including research and development of product and technology. Prior to joining the Group, Mr. Chen worked for Zhejiang Jinhua Patent Technology Development Research Institute (浙江省金華專利技術開發研究所) from August 1992 to August 1996, an institute that focuses on patent technology development and application. He served as the electronics workshop director at Jinhua Luyuan Electric Vehicle Co., Ltd. (金華市綠源電動車有限公司) from July 1997 to December 1999, and as technical manager from January 2000 to May 2003. He joined the Group in May 2003 and served various positions at Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司), a wholly-owned subsidiary of the Company, including the technical manager, assistant general manager and the director of the testing centre from May 2003 to December 2004, the assistant director of the technology center from January 2005 to December 2005, the director of the production center from January 2006 to December 2006, the deputy general manager from January 2007 to December 2008, the general manager of the research and development center from January 2009 to December 2012,

DIRECTORS AND SENIOR MANAGEMENT

the general manager of the technology center from January 2010 to December 2010, the vice president and the director of the research and development center from January 2013 to September 2013, the general manager of the east China business unit from October 2013 to December 2017 and the vice president since November 2015. In July 1992, he graduated with a major in electrification in industrial enterprises from Zhejiang Machinery Industrial School (浙江機械工業學校), now known as Zhejiang Institute of Mechanical and Electrical Engineering (浙江機電職業技術學院) in the PRC. In June 2011, he graduated from Jinhua Polytechnic College (金華職業技術學院) in the PRC in which he specialized in mechanical and electrical equipment maintenance and management.

Mr. Li Fenglang (李鳳朗), aged 55, was appointed as the vice president of the Company since December 2024, primarily responsible for formulating and executing strategies in relation to product innovation, including product engineering and design of product structures and portfolios, and managing the visual presentation and identity of the Group, including visual designs for the logo of the "*Luyuan*" brand, retail stores and exhibitions. He has been appointed as the vice president of Zhejiang Luyuan since May 2023.

Mr. Li has extensive experience in industrial and products design. Prior to joining the Group, he worked as a lecturer in the field of industrial design in Harbin University of Science and Technology (哈爾濱理工大學) from 1992 to 1999. He also served as the senior design director of consumer PC for Lenovo Group Limited, a listed company on the Stock Exchange (stock code: 992) and whose shares were listed by way of American Depository Shares (ticker symbol: LNVGY), from 1999 to 2017. Mr. Li has worked as the visiting professor in the field of industrial design in Harbin University of Science and Technology (哈爾濱理工大學) since 2008 and the tutor for the master's program of Guangzhou Academy of Fine Arts (廣州美術學院) since 2015. Since 2017, he has been the founder and chief design officer for the "LplusDesign" brand of Shihu (Beijing) Environmental Art Design Co., Ltd.. He has also been the director of Shihu (Beijing) Environmental Art Design Co., Ltd. since 2017. In addition, he also received a number of industry awards, including being recognized as one of China's top 10 outstanding young designers (中國設計業十大傑出青年) by the Guanghua Longteng Awards (光華龍騰獎) in 2009, one of the top 10 designers (十佳設計師) by the China Industrial Design Association (中國工業設計協會) in 2015 and an outstanding design talent (傑出設計人才) by the Beijing Science and Technology Commission (北京市科學技術委員會) in 2019. He was also recognised as a high-level talent (category B) ("高層次人才B類") in Guilin city in 2020. Mr. Li has also served as the general director for the China Industrial Design Association (中國工業設計協會常務理事) since 2014 and a member of the technical committee of China Bicycle Association (中國自行車協會技術委員會委員) since 2022.

Mr. Li obtained his bachelor's degree in industrial design from Harbin University of Science and Technology (哈爾濱理工大學) in 1992.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Ding Xiao (丁霄), aged 41, has been appointed as a joint company secretary of the Company with effect from March 28, 2025 and is also currently the general manager of central region of Zhejiang Luyuan Electric Vehicle Co., Ltd. (浙江綠源電動車有限公司) ("**Zhejiang Luyuan**"), a wholly-owned subsidiary of the Company, primarily responsible for formulation and execution of marketing strategies for markets in central region and the Group's marketing development and business promotion, and is proposed to be appointed as the vice president of the brand research institute of Zhejiang Luyuan with effect from April 2025, primarily responsible for developing and formulating the Group's strategic planning, implementing the Group's brand strategies and coordinating the development of multiple brands and business lines of the Group. Mr. Ding joined the Group in June 2006 and has served various positions in the Group. He served as the assistant to the chairman of the board of Zhejiang Luyuan in June 2006, and was redesignated as the brand center director and the deputy general manager of the marketing center from January 2010 to September 2012. From October 2012 to December 2023, Mr. Ding has been the vice president of marketing of Zhejiang Luyuan, primarily responsible for managing domestic channel sales. From December 2013 to December 2024, Mr. Ding served as the vice president of Group, primarily responsible for managing domestic sales channels. Since December 2023, Mr. Ding serves as the general manager of central region of Zhejiang Luyuan, primarily overseeing and managing marketing development and business promotion of the Group.

Mr. Ding received his bachelor's degree in management in July 2005 from Zhejiang Chinese Medical University (浙江中醫藥大學), formerly known as Zhejiang College of Traditional Chinese Medicine (浙江中醫學院), in the PRC, and an executive master of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in November 2024.

Ms. Chu Cheuk Ting (朱卓婷) was appointed as a joint company secretary of the Company with effect from Listing. Ms. Chu currently serves a manager of the listing services department of TMF Hong Kong Limited and is responsible for the provision of corporate secretarial and compliance services to listed company clients. She has over 13 years of experience in the corporate service field. Ms. Chu is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chu holds a bachelor of arts degree from The Hong Kong Polytechnic University and a master of science in professional accounting and corporate governance from the City University of Hong Kong.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE PRACTICES

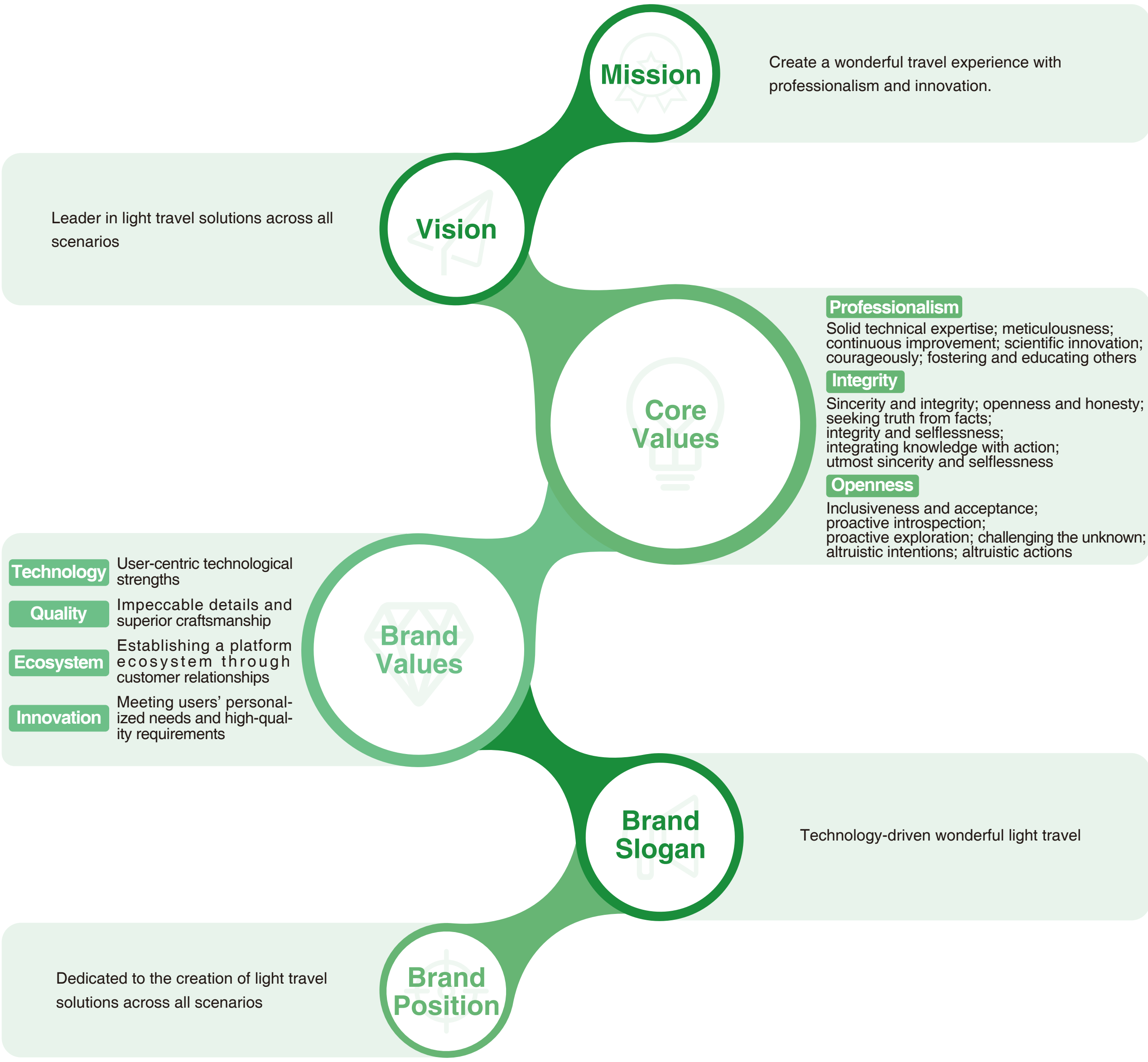
The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure 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 Listing Rules and has also adopted certain recommended best practices as set out in the CG Code.

The Board has formulated and adopted guidelines, policies and procedures such as the code of conduct regarding the securities transactions by the Directors, terms of reference for board committees, board diversity policy and shareholders' communication policy to support the Group's corporate governance framework. These policies and procedures enable the Company to follow and apply the principles of the CG Code. These documents are reviewed by the Board and the relevant board committees from time to time and are updated in line with the applicable legislations and rules as well as the current market practices.

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.

CORPORATE GOVERNANCE REPORT

PURPOSE, VALUE AND STRATEGY



CORPORATE GOVERNANCE REPORT

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day to day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic and Investment Committee. The Board has delegated to these Board committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against the Directors, and will conduct annual review on such insurance coverage.

Board Composition

During the Reporting Period and up to the date of this annual report, the Board comprised four executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Ni *(Chairman)*
Ms. Hu
Mr. Chen Guosheng
Ms. Ni Boyuan *(appointed on June 26, 2024)*

Non-executive Director

Mr. David Ross Dingman (alias Mr. David R. Dingman) *(resigned on March 18, 2024)*

Independent Non-executive Directors

Mr. Wu Xiaoya
Mr. Peng Haitao
Mr. Liu Bobin
Mr. Chan Chi Fung Leo

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the biographical details of the Directors and senior management as set out in the section headed "Directors and Senior Management" of this annual report, none of the chairman, Directors and senior management has any relationship (including financial, business, family or other material/relevant relationships) with any other Directors or chief executive.

During the Reporting Period, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Reporting Period, the Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one- third of the Board.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic and Investment Committee.

As code provision C.1.5 of the CG Code requires directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved in public companies or organizations to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**"), which sets out the approach adopted by the Board regarding diversity of Board members. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective.

The Nomination Committee, appointed by the Board, is responsible for adhering to relevant guidelines of governing board diversity under the CG Code. The Nomination Committee will review the Board Diversity Policy on an annual basis to ensure its continued effectiveness. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, skills, age, cultural and educational background, industry experience, technical and professional experience and/or qualifications, knowledge, ethnicity, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. As of the date of this Annual Report, the Board comprises one female member and six male members, including three executive directors and four independent non-executive directors. The Directors come from diverse cultural and education backgrounds. They hold various professional degrees, including engineering, power system and automation, arts, law, finance, and business management. Their combined experience is balanced, including product development, overall management and strategic development, business and risk management, as well as financial and accounting expertise. The age of the Directors ranges from 32 to 66 years, providing a balanced mix of perspectives to the Board. The Company will take measures to promote gender diversity at all levels, including the Board and senior management. While the Group acknowledges that male directors currently dominate the Board, and there is room for improvement in gender diversity at the Board level, the Group will continue to adhere to the principle of appointing individuals based on merit, in line with its overall diversity policy. Especially considering the evolving nature of the Group's business needs and the changes that may impact the Group's business plans from time to time, the Group will actively seek qualified female candidates to join the Board. The Board had set measurable objectives, aiming to have two female Directors or female representatives comprising 20% of the Board to further enhance Board diversity. This measurable target has been achieved through a resolution to appoint Ms. Ni Boyuan, a senior management member of the Company, as a director, at the AGM held in June 2024. In the long term, to further ensure gender diversity on the Board, the Group will periodically identify several female candidates with diverse skills, experiences, and knowledge in different fields. A list of qualified female candidates eligible for Board membership will be maintained to cultivate potential successor members of the Board. The Board and the Nomination Committee will evaluate the composition of the Board annually in accordance with Appendix C1 of the Listing Rules. The Group is also committed to adopting similar policies to promote diversity among the Company's management team, including but not limited to the senior management, to further enhance the effectiveness of corporate governance. Looking ahead and focusing on nurturing potential successor members of the Board to meet the aforementioned gender diversity targets, the Group will (i) adhere to the principle of appointing based on merit while considering overall Board diversity; (ii) take measures to promote gender diversity at all levels of the Group by recruiting employees of different genders; (iii) consider the possibility of nominating female executives with necessary skills and experience to join the Board; and (iv) provide career development opportunities and more resources for training female employees, aiming to elevate them to senior management or Board members. This aims to ensure that the Group has a pool of potential female senior executives and Board members within the next few years.

CORPORATE GOVERNANCE REPORT

As of December 31, 2024, the proportion of female and male employees (including senior management) in the Group was approximately 35% and 65%, respectively. The Company believes that its workforce has achieved gender diversity in general. The Group promotes gender diversity in the workplace and is committed to increasing the proportion of female employees at various levels, including promoting this goal during recruitment. To achieve workforce diversity, the Group has implemented appropriate recruitment and selection processes to consider diverse candidates. The Group has also established talent management and training programs, providing career development guidance and advancement opportunities, aimed at building a team with diverse skills and rich experience. The Company considers that the gender diversity across overall workforce (including Senior Management of the Company) stands at a reasonable level as the machinery manufacturing industry is widely considered to be a male-dominated profession. The Company will continue to review the gender diversity from time to time and take necessary steps to promote diversity.

Therefore, the Board believes that, based on a merit-based Director appointment system, the composition of the Board aligns with the Board Diversity Policy.

For the year ended December 31, 2024, the Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and has confirmed that the Board possesses an appropriate mix of skills and experience to execute the Company's strategy.

Mechanisms ensuring independent perspectives and opinions are available

In order to implement mechanisms to ensure that independent perspectives and opinions are available to the Board, the Board has appointed four independent non-executive directors in compliance with Rule 3.10 and Rule 3.10A of the Listing Rules. Rules 3.10 and 3.10A of the Listing Rules stipulate that the Board must have at least three independent non-executive directors, and the independent non-executive directors appointed should represent at least one-third of the Board. Additionally, at least one independent non-executive director has been appointed as member or chairman to each Board committee to the extent possible to ensure the Board receives independent opinions.

The Company has received an annual written confirmation from each of the independent non-executive directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors to be independent.

The Board believes that the independence of the Board is crucial for good corporate governance. The Company has established mechanisms to ensure a strong independent element on, and independent views and input are available to, the Board. A summary of these mechanisms is as follows:

- **Composition of the Board and Board Committees**

  The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or a higher threshold as may be required by the Listing Rules from time to time).

  In addition to complying with the Listing Rules regarding the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

- **Independence Assessment**

  The Nomination Committee must strictly adhere to the nomination policy set out in the section headed "Corporate Governance Report – Board Committees – Nomination Committee" in this Annual Report, as well as the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

  Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his independence.

  The Nomination Committee is mandated to annually assess the independence of all independent non-executive Directors with reference to the independence criteria set out in the Listing Rules, ensuring that they can continually exercise independent judgment.

- **Board Decision-making**

  Independent non-executive Directors (as other Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at Board meetings. They may also seek assistance from the Company Secretary and, if necessary, seek independent advice from external professional advisors, at the Company's expense.

  Independent non-executive Directors (as other Directors) shall not vote or be counted in the quorum on Board resolution approving any contract or arrangement in which such Director or any of their close associates have a material interest.

  The chairman of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss major issues and any concerns.

- **Compensation**

  No equity-based remuneration (e.g. share options or grants) with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

The Board has conducted an annual review of the implementation of the above mechanisms and considered the implementation satisfactory.

For the year ended December 31, 2024, the Company has reviewed the implementation and effectiveness of these mechanisms and considered them effective and adequate.

CORPORATE GOVERNANCE REPORT

Induction and Continuous Professional Trainings

Each newly appointed Director has received necessary induction and information to ensure they have a thorough understanding of the Company's operations, business, as well as the duties prescribed by relevant statutes, laws, regulations, and rules. The Company also regularly holds seminars to provide directors with the latest developments and changes in the Listing Rules and other relevant laws and regulatory requirements. Directors also receive regular updates on the Company's performance, status, and prospects to ensure that each director and the Board as a whole can fulfill their duties.

Based on the information provided by Directors, the summary of training received by Directors for the year ended December 31, 2024 is as follows:

Name of Directors	Nature of Continuous Professional Trainings
Executive Directors	
Mr. Ni	A,B,C
Ms. Hu	A,B,C
Mr. Chen Guosheng	A,B,C
Ms. Ni Boyuan *(appointed on June 26, 2024)*	A,B,C
Non-executive Director	
Mr. David Ross Dingman *(resigned on March 18, 2024)*	A,B,C
Independent Non-executive Directors	
Mr. Wu Xiaoya	A,B,C
Mr. Peng Haitao	A,B,C
Mr. Liu Bobin	A,B,C
Mr. Chan Chi Fung Leo	A,B,C

Note:

A: Attending seminars and/or meetings and/or forums and/or briefing sessions

B: Attending training sessions conducted by legal advisers related to the Company's business

C: Reading materials on corporate governance, Directors' duties and responsibilities, Listing Rules, and other relevant regulations.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive

The chairman of the Board and the chief executive officer ("**CEO**") of the Company are currently two separate positions held by Mr. Ni and Ms. Hu, respectively, with clearly defined responsibilities. The chairman of the Board is responsible for formulating the Group's development strategies and overseeing its management and research, while the CEO is responsible for the overall management and operation of the Group.

Appointment and Re-election of Directors

Each of the executive Directors (other than Ms. Ni Boyuan whose term of appointment commenced from June 26, 2024) has entered into a service contract with the Company on September 24, 2023, and the Company have also issued letters of appointment to each of the independent non-executive Directors. The service contracts with each of the executive Directors and the letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years commencing from September 24, 2023 (other than Ms. Ni Boyuan whose term of appointment commenced from June 26, 2024) subject to rotation and re- election in accordance with the Articles of Association and the Listing Rules. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

According to Article 26.3 of the Articles of Association, Directors may appoint any person as a Director to fill a vacancy or as an additional Director, provided that such appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director appointed in this manner shall hold office only until the first annual general meeting of the Company after his/her appointment, at which time he/she will be eligible for re-election.

According to Article 26.4 of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors in office (or, if the number of Directors is not a multiple of three, then the number closest to but not less than one-third of the Directors) must retire by rotation, but each Director (including those appointed for a specific term) must retire by rotation at least once every three years. Any Director required to retire for re-election under Article 26.3 of the Articles of Association shall not be counted in determining the number of Directors and shall retire by rotation. The term of office of a retiring Director shall continue until the end of the meeting (where they retire and are eligible for re-election at that meeting).

CORPORATE GOVERNANCE REPORT

Board Meetings

The Company has adopted a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days before the meeting to allow all Directors to attend and include agenda items within the routine meeting agenda.

For other Board and Board committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board shall be despatched to the Directors or members of the Board committees at least three days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or Board committees prior to the meeting. The meeting minutes are kept by the joint company secretary and the copies are sent to all Directors for reference and record purpose.

The minutes of the meetings of the Board and Board committees thoroughly record all significant matters under consideration and decisions made, including any questions raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are available for Directors to review.

According to Code Provision C.5.1 of the CG Code, the Board of Directors should hold regular meetings, with Board meetings being convened at least four times a year, approximately quarterly, and with active participation by a majority of Directors either in person or via electronic communication.

CORPORATE GOVERNANCE REPORT

For the year ended December 31, 2024, the attendance records of Directors at Board meetings, Board committee meetings, and general meetings are summarized as follows:

Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Strategic and Investment Committee Meetings	General Meetings
No. of meetings held	9	2	1	3	1	1
			No. of meetings attended/held			
Executive Directors						
Mr. Ni	9/9	2/2	1/1	3/3	1/1	1/1
Ms. Hu	9/9	2/2	1/1	3/3	1/1	1/1
Mr. Chen Guosheng	9/9	2/2	1/1	3/3	1/1	1/1
Ms. Ni Boyuan *(appointed on June 26, 2024)*	6/9	1/2	0/1	2/3	0/1	–
Non-executive Director						
Mr. David Ross Dingman *(resigned on March 18, 2024)*	2/9	0	0	0	0	–
Independent Non-executive Directors						
Mr. Wu Xiaoya	9/9	2/2	1/1	3/3	1/1	1/1
Mr. Peng Haitao	9/9	2/2	1/1	3/3	1/1	1/1
Mr. Liu Bobin	9/9	2/2	1/1	3/3	1/1	1/1
Mr. Chan Chi Fung Leo	9/9	1/2	1/1	3/3	1/1	1/1

During the Reporting Period, the chairman of the Board has convened meetings with independent non-executive Directors in the absence of other Directors.

CORPORATE GOVERNANCE REPORT

Model Code For Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

Regarding securities transactions by relevant employees of the Company who may have access to inside information about the Company's securities as referred to in Code Provision C.1.3 of CG code, the Company has also formulated written guidelines ("**Guidelines**") that are no less stringent than the provisions of the Model Code. For the year ended December 31, 2024, having made reasonable inquiries, the Company is not aware of any incidents of non-compliance with the Guidelines by any relevant employees of the Company.

Board Authorization

The Board retains decision-making authority over all significant matters concerning the Company, including: approval and oversight of all policy matters, overall strategy and budget, internal controls and risk management systems, significant transactions (especially those involving potential conflicts of interest), financial information, board appointments, and other significant financial and operational matters. Directors may seek independent professional advice in carrying out their duties, at the Company's expense, and are encouraged to engage and consult independently with senior management of the Company.

Day to day management, administration, and operations of the Group are delegated to senior management. The Board regularly reviews the delegated functions and responsibilities. Approval from the Board is required before any significant transactions are undertaken by the Company's management.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code, including:

1. reviewing and overseeing the Company's compliance with legal and regulatory requirements, policies, and practices;

2. reviewing and overseeing the training and continuous professional trainings of Directors and senior management;

3. formulating, reviewing, and overseeing codes of conduct and compliance manuals applicable to employees and Directors;

4. formulating and reviewing the Company's corporate governance policies and practices and making recommendations to the Board;

5. reviewing the Company's compliance with corporate governance principles and disclosures in corporate governance reports; and

6. reviewing and overseeing the Company's compliance with its whistleblowing policy.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and the Guidelines governing the securities transactions by relevant employees of the Company who may have access to inside information about the Company's securities, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three members, chaired by Mr. Wu Xiaoya, an independent non-executive Director possessing appropriate professional qualifications as required by Rules 3.10(2) and 3.21 of the Listing Rules. The other members are Mr. Liu Bobin and Mr. Peng Haitao, both independent non-executive Directors.

The primary duties, roles, and functions of the Audit Committee include, but are not limited to:

1. be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. monitor the integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and review the significant financial reporting judgments contained in them before submission to the Board;

3. reviewing the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, review the Company's risk management and internal control systems (including without limitation the procedures for compliance with the requirements of Listing Rules);

CORPORATE GOVERNANCE REPORT

4. discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and

5. fulfilling any other duties and responsibilities assigned by the Board.

The written terms of reference of the Audit Committee can be found on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2024, the Audit Committee held two meetings to review and discuss the following matters:

1. the audit planning for the consolidated financial statements of the Group for the year ended December 31, 2024;

2. the annual results of the Group for the year ended December 31, 2024 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit;

3. the interim results of the Group for the six months ended June 30, 2024;

4. the financial reporting system and the effectiveness of the risk management and internal control systems of the Group;

5. the effectiveness and implementation of the whistleblowing policy; and

6. the re-appointment of external auditor of the Company, its independence and qualification. The Audit Committee also reviewed and approved the remuneration and terms of engagement of the external auditor and made relevant recommendation to the Board.

Nomination Committee

The Nomination Committee consists of three members, chaired by Mr. Liu Bobin, an independent non-executive Director. The other members are Ms. Hu, an executive Director and Mr. Wu Xiaoya, an independent non-executive Director.

The primary duties, roles, and functions of the Nomination Committee include the following:

1. review the structure, size, and composition of the Board at least annually, including skills, knowledge, and experience, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. formulate a policy of selection and nomination of Directors and the procedures for sourcing of suitably qualified Directors for consideration by the Board, and implement such plans and procedures approved;

3. identify individuals suitably qualified to become members of the Board, select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. ensure sufficient biographical details of nominated candidate are provided to the Board and Shareholders to enable them to make a decision regarding selection of Board members;

5. assess the independence of independent non-executive Directors;

6. make recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for Directors, particularly the chairman of the Board and chief executive of the Company; and

7. conform to and abide by any requirement, direction and regulations that may be prescribed by the Board or contained in the constitutional documents of the Company or imposed by the Listing Rules or applicable laws.

The written terms of reference of the Nomination Committee are available for reference on the Stock Exchange and the Company's website.

For the year ended December 31, 2024, the Nomination Committee held one meeting to review and consider the following matters:

1. re-election of the Directors;

2. evaluation of the independence of the independent non-executive Directors;

3. the structure, size and composition of the Board;

4. nomination of an executive Director for election at the AGM;

5. the Board Diversity Policy and its implementation; and

6. the Director Nomination Policy (as defined below) and its implementation.

CORPORATE GOVERNANCE REPORT

The Company has adopted a director nomination policy ("**Director Nomination Policy**"), which sets out the selection criteria and procedures for nominating and appointing new Directors. The Nomination Committee and/or the Board may select Director candidates through various channels, including but not limited to internal promotions, transfers, recommendations from other members of management, and external recruitment agencies. Upon receiving recommendations for new Director appointments and the resumes (or relevant details) of candidates, the Nomination Committee and/or the Board will evaluate the candidate based on the following criteria: (a) characters, including integrity, honesty, and fairness; (b) backgrounds and qualifications, including professional qualifications, skills, knowledge, and experience relevant to the Company's business operations and corporate strategy; (c) commitment to understanding the Company and its industry, willingness to devote adequate time to discharge duties as a Board member and abilities to assist the Board in fulfilling its responsibilities; (d) under the Listing Rules, the Board must have a sufficient number of independent non-executive Directors, and the independence of candidates will be assessed; (e) the Company's Board Diversity Policy, and any measurable objectives adopted by the Nomination Committee to achieve board diversity. Diversity of the Board will be considered from various perspectives, including but not limited to gender, skills, age, cultural and educational background, industry experience, technical and professional expertise and/or qualifications, knowledge, ethnicity, length of service and time to be devoted as a Director; and (f) other factors related to the Company's business model and specific needs from time to time, as well as the contributions the selected candidates will bring to the Board. Regarding potential new Director candidates who preliminarily meet the selection criteria, the Nomination Committee will recommend suitable Director candidates to the Board for appointment. For any individuals nominated by shareholders for election as Directors at the Company's general meeting, the Nomination Committee and/or the Board will assess the candidate based on the above circumstances to determine their eligibility to serve as a Director. In appropriate cases, the Nomination Committee and/or the Board should make recommendations to shareholders regarding Directors proposed for election at the Company's general meeting.

The Nomination Committee will review the Director Nomination Policy from time to time to ensure its effectiveness.

Remuneration Committee

The Remuneration Committee consists of three members, chaired by Mr. Liu Bobin, an independent non-executive Director. The other members are Ms. Hu, an executive Director and Mr. Wu Xiaoya, an independent non-executive Director.

The primary duties, roles, and functions of the Remuneration Committee include the following:

1. make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. determine the policy for the remuneration of executive Directors, assess performance of executive Directors, and approve the terms of executive Directors' service contracts;

3. review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

   either:

   (i) determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

   (ii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

   This should include share options/awards, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. make recommendations to the Board on the remuneration of non-executive Directors;

5. consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;

9. review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

10. consider other topics as defined or directed by the Board.

CORPORATE GOVERNANCE REPORT

The written terms of reference of the Remuneration Committee are available for reference on the Stock Exchange and the Company's website.

For the year ended December 31, 2024, the Remuneration Committee held three meetings where it:

1. reviewed the remuneration policy and structure for the Directors and senior management of the Company;

2. reviewed and made recommendations to the Board on the remuneration packages of the executive Directors (including the executive Director candidate), independent non-executive Directors and the senior management of the Company; and

3. reviewed and approved matters relating to share schemes, including the grant of Post-IPO share awards pursuant to the Post-IPO Share Scheme. Further details are set out in the announcement of the Company dated July 3, 2024.

Strategic and Investment Committee

The Strategic and Investment Committee consists of three members, chaired by Mr. Ni, an executive Director. The other members are Ms. Hu, an executive Director and Mr. Peng Haitao, an independent non-executive Director.

The primary duties, roles, and functions of the Strategic and Investment Committee include the following:

1. review the development strategies of the Company and make recommendations on any proposed changes to the Board to complement the Company's development strategy;

2. review the annual investment plans formulated by the Company;

3. review and make decisions on the prospective major investments, including disposals and new joint ventures, within the authorities delegated by the Board;

4. review the project assessment system established by the Company, mainly including three major constituents, namely, effective assessment agencies and professionals, a complete assessment process and reasonable assessment standards;

5. examine the investment strategies of the Company;

6. examine the investment management risk policies;

7. research the Group's capital policies and major financing plans;

8. authorize the strategic and investment management department of the Company to be responsible for execution of the identified strategies and specific implementation of the investment matters;

9. any other duties assigned by the Board; and

10. conform to and abide by any requirement, direction and regulation that may be prescribed by the Board or contained in the constitutional documents of the Company or imposed by the Listing Rules or applicable laws.

The written terms of reference of the Strategic and Investment Committee are available for reference on the Stock Exchange's and the Company's websites.

For the year ended December 31, 2024, the Strategic and Investment Committee held one meeting to review and consider the development strategies of the Company and authorize the strategic investment department of the Company to be responsible for the execution of the formulated strategies and the implementation of any investment.

EMOLUMENT POLICY OF DIRECTORS

The remuneration package for Directors includes annual Director fees, performance bonuses, allowances, retirement plans contributions, and any share awards, options, or other tangible benefits that Directors may be entitled to under the Pre-IPO Share Scheme and Post-IPO Share Scheme. The emolument policy sets out the principles for determining the individual director's remuneration package. According to the policy, Director's remuneration must be approved by the Board upon the recommendation of the Remuneration Committee before it can be implemented.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2024 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Group's performance, positions and prospects.

CORPORATE GOVERNANCE REPORT

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report from pages 168 to 172 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy. The decision to pay dividends will be made at the discretion of the Directors, subject to compliance with the Articles of Association, Listing Rules, and all applicable laws and regulations, and will depend on factors including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholder, any restrictions on payments of dividends, and any other factors that the Board may consider relevant. The Company does not have a pre-determined dividend payout ratio and will review the dividend policy as appropriate from time to time with reference to financial conditions and the prevailing economic environment.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain and oversee the risk management and internal control systems of the Group on an ongoing basis, continuously review their effectiveness to safeguard Shareholders' investments and the Company's assets. The Board ensures an annual review of the effectiveness of these systems within the Group. The Company's risk management and internal control systems have the main features of providing a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. The Audit Committee supports the Board to oversee the effectiveness of the risk management system on an ongoing basis.

The Company has a designated risk management and internal control team which is responsible for identifying and monitoring the Company's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Risks and internal control issues are identified through close watch of regulatory environment, market conditions and issues or matters concerning competitors or other industry participants. All departments of the Company are required to adhere to the Company's internal control procedures and report to the team of any risks or internal control issues. Once any potential risk or internal control issue is identified, a cross department meeting will be held to address such issue and to the extent necessary, new policies will be established to manage such risk. The risk management and internal control system described above are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group's internal audit department plays a vital role in monitoring the internal governance of the company. The primary role of the Company's internal audit department is to review the financial condition and internal controls of the Company, conducting comprehensive audits of all affiliates and subsidiaries regularly. It also conducts analysis and independent appraisals of the adequacy and effectiveness of the Company's risk management and internal control systems.

The Company has put in place an internal policy for the handling and disclosure of inside information. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2024. The annual review by the Board also covered areas on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions and those relating to the Company's ESG performance and reporting. The Board considered that the Group's risk management and internal control systems are effective and adequate.

ANTI-CORRUPTION POLICY

The Group is committed to achieving the highest standards of business conduct and adopts a zero-tolerance approach towards corruption and related malpractice. The Company values integrity and transparency and ensures that the Board and senior management team exemplify these values through their actions.

The Company has adopted an anti-corruption policy to promote an ethical culture, ensure compliance with ethical standards associated with the Group's business, and applicable anti-corruption laws, and to prevent any payments or other acts that may lead to corruption risk. The Company encourages its business partners with whom it conducts business to develop and implement anti-corruption policies of the same standard.

WHISTLEBLOWING POLICY

The Company has established a whistleblowing policy ("**Whistleblowing Policy**"), which provides reporting channels and guidance for employees and other independent third parties who deal with the Group (such as customers, service providers, distributors, and suppliers) to report anonymously improper activities, misconduct, or any violation of rules, regulations or laws related to fraud against Shareholders. The policy allows for anonymous reporting of such matters within the Group, and assures whistleblowers that the Group will provide them with protection to prevent unfair dismissal or harm due to any genuine reports made under the Whistleblowing Policy.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group for the year ended December 31, 2024 was approximately as follows:

Type of services	Amount (RMB'000)
Audit services	2,243
Non-audit services (Include tax filing service)	657
Total	2,900

JOINT COMPANY SECRETARIES

Mr. Chen Guosheng ("**Mr. Chen**"), executive Director and chief financial officer, also served as the joint company secretary of the Company during the Reporting Period and up to March 28, 2025. He was responsible for providing advice to the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures, as well as applicable laws, rules and regulations. On March 28, 2025, Mr. Ding Xiao has been appointed as a joint company secretary in succession to Mr. Chen.

To maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company has also appointed Ms. Chu Cheuk Ting ("**Ms. Chu**"), a manager of the listing services department of TMF Hong Kong Limited, as another joint company secretary of the Company. She assists Mr. Chen in fulfilling his duties as the Company's company secretary, her main contact person at the Company being Mr. Chen.

For the year ended December 31, 2024, both Mr. Chen and Ms. Chu have completed not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is crucial for enhancing investor relations and ensuring that Shareholders understand the Group's business, performance, and strategies. The Company also recognizes the importance of timely and non-selective disclosure of Company information to enable Shareholders and investors to make informed investment decisions.

The Company's annual general meeting will provide an opportunity for Shareholders to communicate directly with the Directors. Board members, in particular, the chairmen of the various Board committees or their delegates and appropriate senior executives of the Company will attend the annual general meeting to address Shareholders' queries. The external auditors will also attend the annual general meeting to answer questions regarding audit procedures, the preparation and content of auditor reports, accounting policies, and auditor independence.

To facilitate communication between the Company, Shareholders, and the investors, the Company regularly holds performance briefings, meetings, and non-deal roadshows with Shareholders, potential investors, and analysts. Directors and employees of the Company engaging with investors, analysts, media, or other interested parties must adhere to disclosure obligations and regulations under the Listing Rules and applicable laws and regulations.

SHAREHOLDER'S COMMUNICATION POLICY

To facilitate effective communication, the Company has adopted a shareholder's communication policy (the "**Shareholder's Communication Policy**") aimed at establishing mutual relations and communication between the Company and Shareholders. The Company has also established an "Investor Relations" section on the Company's website (https://www.luyuan.cn), where the corporate information, such as corporate communications of the Group, information on corporate governance of the Group as well as the compositions and functions of the Board and the Board committees are available for public access. Information published on the Stock Exchange's website (www.hkexnews.hk) is promptly mirrored on the Company's website. Such information includes but is not limited to annual reports, interim reports, quarterly reports (if any), announcements, circulars, notices of general meetings, and any other information required to be published under the Listing Rules.

For the year ended December 31, 2024, the Company has reviewed the implementation and effectiveness of its Shareholder's Communication Policy. The Company believes that its Shareholder's Communication Policy promotes full Shareholder communication and considers the policy to be effective and adequate.

SHAREHOLDER'S RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to Article 17 of the Company's Articles of Association, Shareholders may submit proposals for consideration at the Company's general meetings. Any Shareholder or Shareholders holding not less than 10% of the voting rights of the issued Shares eligible to vote at the general meeting on the basis of one vote per share on the day of submission of the request shall have the right to submit a written request to the Company's principal office in Hong Kong, 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (or if the Company ceases to have such a principal office, then to the Company's principal office at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands) requesting the convening of a extraordinary general meeting and proposing transactions on any matters specified in the request. The Directors shall convene the extraordinary general meeting of the Company within 21 days from the date of submission of the request. If there are no Directors on the day the request is submitted or if the Board does not within 21 days from the date of submission of the request duly proceed to convene a general meeting to be held within a further 21 days, the person(s) making the request or any of them representing more than half of the total voting rights of the person(s) making the request may convene a general meeting in the same manner as nearly as possible as that in which general meetings are to be convened by Directors. However, any meeting convened in this manner shall not be held later than the day which falls three months after the said 21 day period, and the Company shall reimburse all reasonable expenses incurred by the requestor(s) due to the board's failure to convene the meeting.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders putting forward enquiries to the Board regarding the company can send their enquiries to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (Email address: HKSRS_Team8@hk.tricorglobal.com). Shareholders may request public information about the Company at any time.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted the revised and restated Memorandum and Articles of Association on August 21, 2023, which came into effect from the Listing Date. There were no changes in the above Memorandum and Articles of Association during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Luyuan Group Holding (Cayman) Limited (the "**Company**") and its subsidiaries ("**Luyuan Group**", the "**Group**", or "**we**") are pleased to present the second Environmental, Social and Governance ("**ESG**") Report (this "**Report**"). This Report aims to transparently disclose the Group's progress and achievements in the ESG domain for the period from January 1 to December 31, 2024 (the "**Reporting Period**"), and to demonstrate the Group's vision for sustainable development to all stakeholders, thereby enhancing their understanding and confidence in us.

1.1 Reporting Boundary

Unless otherwise stated, the reporting boundary of this Report covers the Company and all its subsidiaries during the Reporting Period, including the core facilities located at the headquarters in Zhejiang, namely the principal office buildings, the product research and development center, the base in Zhejiang, and the production plants located in Shandong and Guangxi.

1.2 Reporting Guide and Principles

The Group prepared this Report in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Report has complied with the "Comply or Explain" provisions set out in the Guide and followed the four reporting principles of materiality, quantitative, balance and consistency as the basis of preparation.

Materiality Principle: Stakeholder communication and materiality assessment have been incorporated into the preparation of this Report as a basis for identifying material ESG issues. For details, please refer to the section headed "Materiality Assessment".

Quantitative Principle: This Report presents its key environmental and social performance indicators in the form of quantitative data, accompanied by explanations to illustrate their purposes and impacts. We also provide comparative data on environmental KPIs in this Report.

Balance Principle: This Report follows the principle of balance and presents both positive and negative information of the Group in an impartial manner, and continuously reviewing areas for improvement.

Consistency Principle: This Report follows a consistent methodology and further refines certain disclosure categories corresponding to the ESG reporting guidelines of the Hong Kong Stock Exchange. The Group will ensure that the disclosure boundary and reporting methodology of this ESG Report remain generally consistent on an annual basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.3 Access to this Report

This Report is available for inspection and downloading on the websites of The Stock Exchange of Hong Kong Limited's "HKEXnews" (www.hkexnews.hk) and Luyuan Group (www.luyuan.cn).

1.4 Opinion and Feedback

Your valuable feedback is our driving force for continuous improvement. If you have any opinion on this Report or any related matters, please contact the Group through the following channels:

Tel:	+86 4008877505
Website:	www.luyuan.cn
Email:	server@luyuan.cn

1.5 Statement from the Board

Luyuan Group regards ESG and the concept of sustainable development as the key guarantee for its long-term and stable development. The Company fully considers ESG factors in decision-making and daily operations to continuously enhance its risk resistance. The Board of Directors of the Group, the highest authority and decision-making body for ESG matters, bears ultimate responsibility for the Company's ESG strategy and reporting. It closely monitors ESG-related matters that may affect the Company's business, operations, Shareholders, and other Stakeholders. Under the Board, there is an ESG Working Committee primarily responsible for identifying and assessing ESG risks relevant to the Group. It ensures the establishment of appropriate and effective ESG risk management and internal control systems, reports progress on related ESG goals to the Board, and conducts reviews accordingly.

The Group places great importance on the suggestions and opinions of all stakeholders, establishing adequate communication channels to engage with key stakeholders. Based on the communication results, the Group discusses and identifies important ESG issues and potential ESG risks, continuously improving ESG-related strategies and policy systems. During the reporting year, the Board reviewed material ESG issues and approved the proposal to adjust the materiality levels of various ESG issues, ensuring the timeliness and rationality of the material issue matrix.

The Directors hold regular meetings to review and approve the Company's sustainable development goals, assess and review the Company's ESG-related goals, and ensure alignment with the Company's overall business strategies and development direction. Through the ESG Working Group, we guide and oversee the development and implementation of the Company's ESG vision, strategies, and framework, review important ESG issues, key ESG risks and opportunities, oversee communication channels and methods with Shareholders, and review the Company's ESG-related disclosures.

The Board and all Directors ensure that the contents of this Report contain no false statements, misleading statements, or material omissions, and take responsibility for the truthfulness, accuracy, and completeness of this Report. This Report provides detailed disclosure of the progress and achievements of the Group's ESG work in 2024, submitted at the Audit Committee' meeting for review on March 26, 2025, and approved at the Board meeting on March 28, 2025.

2. ABOUT LUYUAN GROUP

Luyuan Group (02451.HK), incorporated in 2003 and headquartered in Zhejiang, is an electric two-wheeled vehicle provider in Mainland China, focusing on the design, research and development, manufacturing and sales of electric two-wheeled vehicles. We have built an offline sales and distribution network and embraced informatization and established online retail channels, continuously improving the penetration and coverage of the Group's products. As of December 31, 2024, there were five major intelligent manufacturing bases nationwide, and more than 12,000 stores, over 1,200 patent applications and 20,000,000+ users worldwide. We have 1,400 distributors in Mainland China, covering 328 cities in 31 provincial-level administrative regions. We attach great importance to upgrading our products and developing relevant technologies. Our core technologies cover key components of electric two-wheeled vehicles such as motors, controllers, batteries and chargers. In terms of technological R&D, we focus on continuously improving the safety, durability, range, and intelligence of our electric two-wheeler products. We also actively respond to market feedback by developing a diverse product portfolio that meets consumers' varying needs at different levels. We are committed to delivering high-quality electric two-wheelers that are reliable, technologically advanced, and stylish in design to our customers.

2.1 Our Honors

Awards of Luyuan Group in the Year

Name of Awards/Qualification	Issuing Organization
National Model Workers' Home	All-China Federation of Trade Unions
List of Enterprises Selected for Compliance with E-bike Industry Standards (First Batch) – Proposed for Public Announcement	Department of Consumer Goods Industry, MIIT
2023 Pilot Demonstration Project for Deep Integration of Artificial Intelligence and the Real Economy	Department of Industry and Information Technology of Guangxi Zhuang Autonomous Region
Second Batch of Chain-Leading Flagship Enterprises in Guangxi	Department of Industry and Information Technology of Guangxi Zhuang Autonomous Region
Luyuan S90 Extreme Battery Range Challenge Certificate	National Notary Office, Changchun, Jilin Province, PRC
Integrity Model Enterprise Award	Primary-Level Party Branch of the CPC, Guigang City
2023 Outstanding Contribution Enterprise for Economic Development in the Development Zone	Party Working Committee of Yinan Economic Development Zone, CPC Yinan County Committee Management Committee of Yinan Economic Development Zone

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of Awards/Qualification	Issuing Organization
2023 Advanced Environmental Protection Enterprise in the Development Zone	Party Working Committee of Yinan Economic Development Zone, CPC Yinan County Committee Management Committee of Yinan Economic Development Zone
2023 Advanced Enterprise in Party Building Work	Party Working Committee of Yinan Economic Development Zone, CPC Yinan County Committee Management Committee of Yinan Economic Development Zone
International Industry Influence Brand Award	UN "2024 Forum on Corporate Globalization and Sustainable Development"
China's First 3-Year Warranty Program for Digital Lead-Acid Batteries in E-Bikes	Frost & Sullivan
Strategic Partner of China Quality News	China Quality News
2024 China Brand Power Index – Top 3 E-Bike Brands	Chnbrand 2024 China Brand Power Index SM (C-BPI@)
Luyuan × "Let's Farm" IP Synergy Marketing Campaign – Silver Award in Entertainment Marketing	15th TigerRoar Awards
Luyuan × "Let's Farm" IP Synergy Marketing Campaign – Bronze Award in Motor Vehicle Aftermarket & Transportation	15th TigerRoar Awards
2024 Guangxi Top 100 Manufacturing Enterprises	Federation of Entrepreneurs
2023 Bilibili Z100 Annual Top Products List – Luyuan (Liquid-Cooled E-bike S70)	Bilibili
2023 Highest Range Achievement Award – E-Bike Model S70	Ludashi

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 ESG Management System

Sustainable development is one of the core elements of the corporate governance of Luyuan Group. In order to effectively promote the implementation of the sustainable development strategy, the Group has carefully constructed a comprehensive and sound sustainable development governance structure, clearly defined the management functions of institutions at all levels in sustainable development affairs and continuously improved the corporate sustainable development governance level. At present, the Group has successfully established a comprehensive governance structure covering three levels: the Board of Directors, the Audit Committee, and the ESG Working Group. An efficient working mechanism has also been established to ensure that ESG supervision and management are carried out in a standardized and orderly manner.

Board of Directors: As the highest decision-making body of the Group, the Board of Directors plays a key leadership role in formulating sustainable development strategies and controlling major decision-making, providing strategic guidelines for the sustainable development direction of the Group.

Audit Committee: The members of the Audit Committee are appointed by the Board of Directors from among the non-executive Directors and consists of not less than three members, a majority of whom (including the Chairman) are independent non-executive Directors, at least one of whom has the professional qualifications or accounting or financial management expertise required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In addition to its existing responsibilities, the Audit Committee has added new responsibilities related to ESG review and supervision, including but not limited to reviewing the truthfulness, accuracy and completeness of the Group's ESG report, supervising the implementation of the ESG strategy, and assessing the Group's risks and opportunities in terms of the environment, society and corporate governance. The Committee meets at least twice a year to review and discuss the interim and annual financial statements of the Company, and meets at least twice a year with the external auditors and meets at least once in private. Additional meetings may be held as necessary when ESG review and supervision is involved. The Audit Committee regularly reports to the Directors on the progress of ESG review and supervision, issues identified, and corresponding recommendations, which provide an important reference for the Directors' decision-making.

ESG Working Group: It comprises of department heads and is responsible for coordinating the implementation of the ESG work plan and the steady progress of each task. Its work covers collecting and collating ESG-related data and information from various departments, organizing and carrying out ESG projects, promoting the dissemination of ESG concepts within the Group and providing training, etc. The ESG Working Group regularly reports to the Audit Committee on the progress, results and difficulties encountered in its work, ensuring that the Audit Committee is kept abreast of ESG developments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Audit Committee under the Board of Directors will incorporate ESG review and oversight responsibilities into its existing duties, and regularly report to the Board and provide recommendations. The ESG Working Group will coordinate the implementation of work plans with department heads, oversee the progress of various tasks, and report regularly to the Audit Committee. The key responsibilities of each work level are outlined below:

Structure of the ESG Working Organization

Governance level

Board of Directors

- Exercise ultimate decision-making authority, oversee and supervise the Company's ESG and climate-related strategic planning, management, and performance
- Approve ESG reports

Authorization

Audit Committee

- Organize the development of ESG-related strategies, frameworks, principles, and policies
- Monitor the implementation of ESG-related objectives, review whether practices and performance comply with legal and regulatory requirements
- Evaluate, assess, and manage key performance indicators and ESG performance set by the Group on significant ESG matters

Supervision

Executive level

ESG Working Group

- Develop and implement the Group's ESG framework, management policies, strategies, and action plans
- Assess and identify prioritized and manage significant ESG-related matters
- Develop, implement, and execute ESG-related policies, procedures, and measures approved by the Board of Directors
- Responsible for ESG information collection, organization, and feedback, and execution of ESG-related tasks
- Identify climate-related risks and opportunities encountered in daily operations and assess the financial impact of these risks on the Group

2.3 Communication with Stakeholders

In the strategic layout of sustainable development of the Luyuan Group, stakeholders occupy a vital position and are regarded as a key driving force for the continuous progress of the enterprise. In order to achieve common development with its stakeholders, the Group actively establishes regular and two-way communication channels to establish close ties with various stakeholders and maintain good communication relationships on an ongoing basis. In this way, the Group can gain an in-depth understanding of the key concerns of stakeholders and respond to their requirements and expectations in a targeted manner.

After rigorous evaluation and analysis, the Group has identified eight types of core stakeholders who have a profound impact on the development of the enterprise. These stakeholders each have different issues of concern, and the Group has also developed a variety of targeted communication channels and actively taken action in response. The following table details the issues of concern of each stakeholder and the communication channels and responses of the Group.

Stakeholders	Concerns	Communication channels/methods
Customers and Consumers	Product Quality After-sales Service Customer Privacy Responsible Marketing Product Design and Innovation	Product launch events, promotional activities Customer satisfaction surveys Customer service hotline, Weibo, Mobile applications Company website Customer annual meetings
Employees	Compensation and Benefits Employee Legal Rights Health and Safety Career Development Diversity, Equality, and Inclusion	Employee training Union activities Internal publications WeChat official account platform Online channels: employee mailbox, complaint mailbox, telephone
Shareholders and Investors	Business Performance Compliance Operations Enhancing Return on Investment Good Corporate Governance Transparent Disclosure of Information	General meetings and other shareholder meetings Company announcements and communications Annual/Interim financial reports Roadshows Company website

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Concerns	Communication channels/methods
Suppliers and Business Partners	Regulated Procurement Processes Healthy Competition Mechanisms Mutually Beneficial Partnerships in the Supply Chain Promotion of Industry Development	Contract agreements Regular reviews and evaluations Routine communication meetings Business exchanges and cooperation
Government Departments and Regulatory Authorities	Compliance Operations Anti-corruption Promotion of Economic Growth Climate Action Job Creation	Policies and guidelines Inspections, assessments, and supervision Regular communication and information disclosure Work reports
Industry and Standards Associations	Industry Development Promotion Product Responsibility Green Production Technological Innovation	Participation in industry standard setting Attendance at industry conferences Industry information exchange and sharing
Public and Media	Compliance with Emissions Regulations Support for Vulnerable Groups Participation in Community Building and Charity Activities	Community outreach activities, environmental initiatives Social media platforms Company website Annual/Interim financial reports
Green Groups	Ecological Conservation Energy Efficiency Pollution Reduction	Environmental conservation activities and promotion ESG report information disclosure

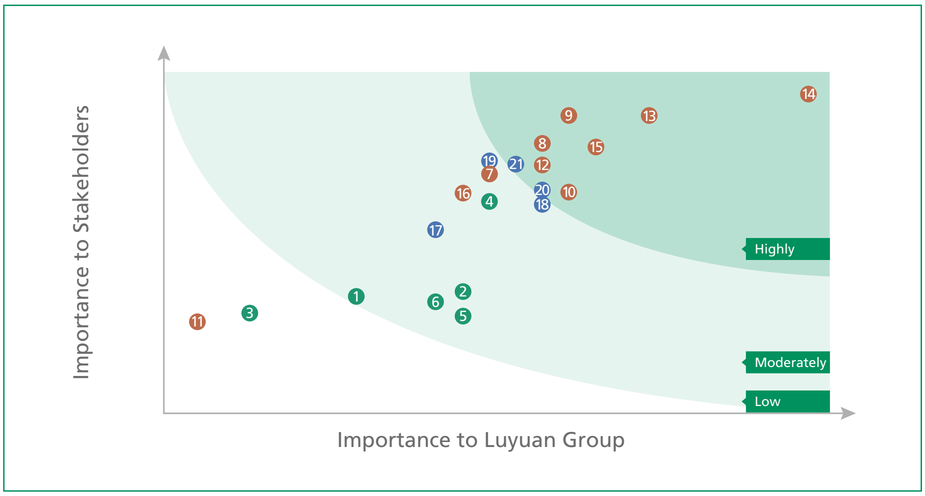
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.4 Materiality Assessment

The Materiality Assessment helps Luyuan Group identify risks and opportunities related to sustainable development, clarify improvement directions, and enhance the transparency of this Report. It also helps share the progress of the Group's sustainable development with various stakeholders. During the Reporting Period, we commissioned an independent third party consultant to conduct a materiality assessment of stakeholders and used online surveys to understand their concerns. The process of materiality assessment mainly involves three major steps: identification, prioritization, and confirmation.

Identification of Issues	By referring to the ESG Reporting Guide of the Hong Kong Stock Exchange, the Global Reporting Initiative, other ESG disclosure standards, ESG rating guidelines, industry benchmarking, and the Group's own development status, the Group has established a series of material issues. In the materiality assessment in the year, the Group identified and determined 21 material issues, including six environmental issues, 10 social issues, and five governance and operational issues.
Prioritization	The Group invited different stakeholders and representatives from the Group's management to participate in an online survey, collecting their ratings on the potential material issues of the Group and assessing the importance of the selected material issues. The issues will be categorized into three priority levels: highly important, moderately important, and low importance.
Confirmation of Material Issues	Building a materiality matrix from two dimensions – "Importance to Luyuan Group" and "Importance to Stakeholders" – to screen out highly important issues based on the ratings of each issue. The results will be submitted to the Group's management for discussion and review, and the final confirmation of the importance ranking of material issues will be approved.

Material Matrix



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the materiality assessment in the year, the Group identified and determined nine highly important issues, namely "Employee Development and Training", "Talent Attraction and Retention", "Employee Health and Safety", "Product Quality and Safety", "Information Security and Management", "Research and Technological Innovation", "Excellent Customer Service", "Sustainable Supply Chain Management", and "Risk Management and Regulatory Compliance", along with 10 moderately important issues and two low-importance issues.

The Group believes that sharing concrete actions and firm commitments towards achieving the United Nations Sustainable Development Goals is of paramount importance. In our dedication to various sustainable development issues, the Group actively contributes to ensuring that our efforts are closely aligned with the core United Nations Sustainable Development Goals ("UNSGD"), thereby making meaningful contributions to global sustainable development.

Category	Corresponding UNSDG	Issue	Response Section
Environment		1. Greenhouse Gas and Emission Management	Energy, Exhaust Gas and Greenhouse Gas Emissions Management
		2. Energy Use and Management	Energy, Exhaust Gas and Greenhouse Gas Emissions Management Water Resource Management
		3. Natural Resource Use and Management	Environmental Assessment
		4. Waste Management	Waste Water, Air Pollution, and Solid Waste Management
		5. Climate Change Mitigation	Response to Climate Change
		6. Clean Energy Technology Opportunities	Innovative Green Technologies
Employees and Society		7. Employee Employment and Rights	Employee Rights and Benefits
		8. Employee Development and Training	Talent Cultivation and Development
		9. Employee Health and Safety	Occupational Health and Safety
		10. Talent Attraction and Retention	Talent Cultivation and Development
		11. Community Investment	Community Responsibility and Contribution

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Category	Corresponding UNSDG	Issue	Response Section
Governance and Operations	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS	12. Premium Customer Service	Customer Rights Protection
		13. Research and Technological Innovation	Innovative Green Technologies Product Life Cycle Management
		14. Product Quality and Safety	Quality Control Product Life Cycle Management
		15. Sustainable Supply Chain Management	Customer Rights Protection
		16. Industry Cooperation and Ecosystem Building	Customer Rights Protection
		17. ESG governance System	ESG Management System
		18. Intellectual Property Management	Intellectual property protection
		19. Business Ethics and Anti-Corruption	Business Ethics and Anti-Corruption
		20. Risk management and Regulatory Compliance	ESG Management System, Quality Management
		21. Information Security and Management	Customer Rights Protection

3. R&D and Innovation

2024 Highlights

Year	Name of Awards/Qualification	Issuing Organization
2024	Luyuan S90 Extreme Battery Range Challenge Certificate	National Notary Office, Changchun, Jilin Province, PRC
2024	China's First 3-Year Warranty Program for Digital Lead-Acid Batteries in E-Bikes	Frost & Sullivan

3.1 Innovative Green Technologies

Luyuan Electric Vehicle consistently upholds the philosophy of "A Ten-Year Ride Vehicle" (一部車騎十年), committed to transforming electric vehicles from consumable goods into durable products. Through sustained R&D in green technologies, we continuously enhance product durability, extend lifecycle performance, and reduce resource waste and carbon emissions. Our carbon footprint optimisation initiatives actively contribute to eco-friendly mobility and sustainable development.

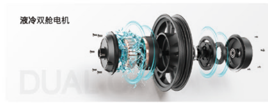
Three Core Technologies: Building Durable Quality and Leading Industry Innovation

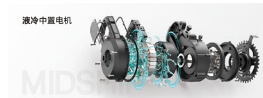
In the electric vehicle industry, product durability remains one of consumers' primary concerns. To address this, Luyuan Electric Vehicle has introduced three core technologies - the liquid-cooled powertrain system, the digital battery system and the solid-state electrical system. By enhancing these three critical components (motor, battery, and electrical parts), we comprehensively improve product durability and energy efficiency performance, driving sustainable mobility forward.

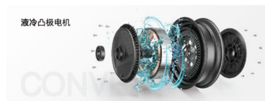
- ***Liquid-Cooled Motor: Liquid-Cooled Motor 2.0 with Efficient Heat Dissipation for Extended Motor Lifespan***

  THe liquid-cooled motor 2.0 adopts advanced liquid cooling technology and graphene thermal coating, significantly improving heat dissipation efficiency. The maximum temperature reduction reaches 38°C, increasing motor efficiency to 92% and effectively enhancing energy utilisation. This motor also features a gas exchange system that regulates internal/external pressure differentials and absorbs moisture during gas exchange, achieving waterproof and anti-corrosion effects to further extend service life.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

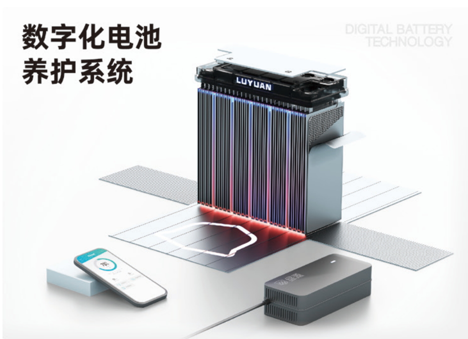


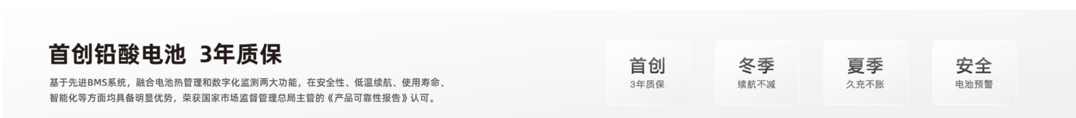




- ***Digital Battery System: Intelligently monitors and regulates internal battery conditions to significantly extend service life***

Utilising an advanced BMS that integrates both thermal management and digital monitoring, it employs high-precision sensors and intelligent algorithms to track real-time battery status (e.g., SOC, temperature, voltage) and dynamically adjust charging/discharging strategies. This dramatically improves battery lifespan, pioneering a 3-year warranty for lead-acid batteries while ensuring no range loss in winter and swelling-free performance during prolonged charging in summer.

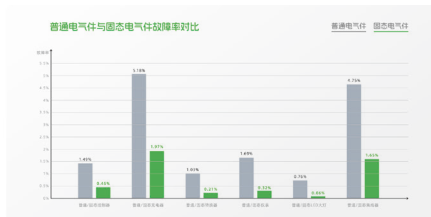


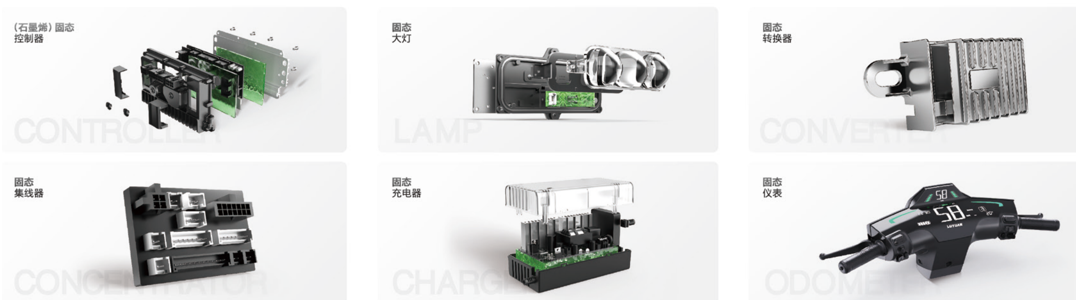


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Solid-State Electrical System: Featuring integrated encapsulation technology with 3–10 year extended warranty***

  Core electrical components including controllers, chargers, converters, headlights, and wiring hubs are hermetically encapsulated with thermally conductive dielectric materials (e.g., polymer compounds), creating an "embedded core protection" structure that delivers shock resistance, waterproofing, dust-proofing, heat dissipation, insulation, and flame retardancy, whereby ensuring vehicle-wide electrical safety and durability. The solid-state controller comes with a 10-year warranty while other electrical components (e.g., chargers, converters) carry a 3-year warranty, far exceeding industry standards.





Through the application of these three core technologies, Luyuan Electric Vehicle has not only enhanced product durability and performance, but also significantly reduced resource consumption and carbon emissions, providing a practical solution for promoting green mobility and sustainable development. In the future, we will continue to dedicate ourselves to the research and innovation of green technologies, offering consumers more eco-friendly and durable mobility products to contribute to a low-carbon future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Product Renewal and Upgrade

The product portfolio of the Group comprehensively covers entry-level, mid-range, and premium models, with strategic focus on the mid-to-high-end market segment. We continue to introduce new green product categories featuring durable core technologies. In 2024, the Group launched over 20 new products, including industry-leading models such as S90, Moda8, and Cola10. These models extensively incorporate a liquid-cooled motor, a digital battery system, and a solid-state electrical system, driving the Chinese two-wheel electric vehicle industry toward a more sustainable and low-carbon future.

In 2024, leveraging its independently developed mid-drive motor technology, the Group launched the LYVA brand's first carbon fiber smart e-road bike – the G01-Sport. This innovative product incorporates numerous cutting-edge technologies, including AI-based biomimetic smart sensing interaction, the Sport Line 300 mid-drive motor, and an exceptional 100-kilometer range, delivering an intelligent and healthy light mobility solution that promotes low-carbon transportation.

3.3 Intellectual Property Protection

To consolidate our industry leadership, enhance market competitiveness, drive sustainable business development, stimulate innovation vitality, and elevate our intellectual property (IP) management and protection standards, the Group has always prioritized IP protection as a strategic imperative.

The Group strictly complies with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and other relevant laws and regulations, along with their implementing rules, to ensure all operations are conducted within legal frameworks. Concurrently, the Group has established a robust internal IP management system, implementing policies such as the Patent Application Procedures, Patent Maintenance Procedures, IP Rights Protection Procedures, and IP Management Regulations. These documents clearly define confidentiality protocols and delineate the rights and obligations of all parties in IP-related matters, providing a solid institutional foundation for IP protection.

Through persistent efforts, the Group has achieved remarkable results in IP, accumulating 729 valid patents and 127 registered trademarks. During the Reporting Period, the Group was honored with the title of "Intellectual Property Demonstration Enterprise" by the Zhejiang Provincial Administration for Market Regulation. This accolade not only recognizes the Group's excellence in IP protection and management but also underscores its outstanding accomplishments in this field.

The Intellectual Property Management Team, led by the President's Office, has been established to safeguard the legitimate interests of intellectual property rights. Below are some of the primary responsibilities of the Management Team:

1. Formulate various management regulations for intellectual property and coordinate intellectual property management work

2. Review intellectual property applications from the audit business department, and organize and establish intellectual property file management

3. Responsible for external affairs such as intellectual property on behalf of the Company

4. Handle intellectual property-related disputes, litigation, and other matters on behalf of the Company

5. Organize publicity and learning activities related to intellectual property rights laws, and exchange experiences

4. GOVERNANCE AND OPERATIONS

The Group consistently upholds compliance as its foremost principle and treats integrity as the cornerstone of operations. We fully recognize that adhering to responsible business practices is the fundamental guarantee for sustained and sound development. Therefore, we strictly follow the guidance of relevant laws and regulations such as the Companies Ordinance and the Corporate Governance Code, along with administrative rules, departmental provisions, and normative documents, continuously optimizes our corporate governance structure while building and strengthening internal management and control systems to ensure transparency and comprehensive compliance in corporate governance.

Corresponding UNSDG:

4.1 Business Ethics and Anti-Corruption

Luyuan Group is committed to creating an incorruptible, open, and honest working environment, adopting a "zero-tolerance" policy towards bribery, extortion, fraud, and money laundering. We adhere to the principles of business ethics and strictly comply with relevant corporate governance laws and regulations, including the Criminal Law of the People's Republic of China, the Company Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. Additionally, we have formulated the "Anti-Business Bribery Management Regulations" which clearly outline prohibited actions, establish corresponding penalties, and promote the systematic management of anti-corruption and integrity efforts. To strengthen policy implementation, the Group has additionally introduced the "Whistleblowing Case Handling Regulations" this year, further enhancing the standardization and confidentiality of the whistleblowing handling process.

In terms of business ethics development, the Group has implemented a series of systematic and quantifiable management measures. All employees are required to sign the "Integrity and Self-Discipline Commitment Letter", while business partners must sign the "Luyuan Partner Sunshine Integrity Commitment Letter" to ensure business ethics requirements are implemented throughout the entire business chain. The management has established an annual self-inspection and self-correction mechanism, with department heads and above required to submit compliance reports to the legal department. To enhance overall compliance awareness, the Group conducts multi-level anti-corruption training, with all executive directors participating in specialized anti-fraud training. During the Reporting Period, all employees completed the signing of the "Integrity and Self-Discipline Commitment Letter", pledging to abstain from any corrupt practices. The Group has established a regular review mechanism to continuously monitor the implementation effectiveness of various preventive measures. Through rigorous verification, no complaints or litigation cases involving corruption, bribery, extortion, fraud, or money laundering occurred during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To establish a multi-party supervision system, the Group has implemented a transparent and efficient whistleblowing mechanism. This mechanism provides multiple reporting channels including telephone hotlines, webpage links, and email addresses, supported by standardized review procedures. The reporting channels are accessible to all employees and stakeholders engaged in business with the Group for timely reporting of potential violations or misconduct. The Group strictly enforces confidentiality protocols for whistleblowing information, implementing rigorous confidentiality measures throughout the entire process from case acceptance to investigation to ensure the security of whistleblower information and effectively protect whistleblower rights. The establishment of this mechanism has significantly enhanced the transparency and credibility of the Group's compliance management, providing investors with reliable risk prevention safeguards during the Reporting Period.

Whistleblowing Channel

Integrity reporting email: luyuanfawu@luyuan.cn
Integrity reporting hotline: 0579-82277796
Address for reporting corruption: Legal Affairs Department of Zhejiang Luyuan Electric Vehicle Co., Ltd. at 168 Shicheng Street, Industrial Park, Jinhua City, Zhejiang Province
Integrity reporting link: https://luyuan.jinshuju.net/f/Ytx1Il

You are also welcome to report corruption by scanning the QR code below using WeChat.

4.2 Quality Management

The Group adheres to the core strategy of "striving for excellence, pursuing excellence" in product quality management, and continues to improve its product quality management capabilities to provide strong support for the development of customers and the industry. The Group strictly abides by various relevant laws and regulations, including the Product Quality Law of the People's Republic of China, the Safety Technical Standards for Electric Bicycles, the Safety Requirements for Electric Motorcycles and Electric Mopeds, the Implementation Rules for Compulsory Product Certification - Electric Bicycles, and the Implementation Rules for Compulsory Product Certification - Factory Quality Assurance Capability Requirements. During the Reporting Period, the Group's quality management system passed the ISO 9001:2015 "Quality Management System Certification". We have also established "Quality Management Regulations", "Inspection Standards Compilation Procedures" and "Measurement Equipment Management Regulations" etc., with clear provisions from product development to product measurement, including warranty, replacement, and return management ("Three Guarantees"), ensuring that product quality meets customer requirements and clarifying the operating requirements of each responsible person.

Product Development Quality Management:	• Strengthen quality assurance and planning from new product design, application of new technologies, and management of supporting suppliers.
Incoming and Finished Product Quality Management:	• Standardize the incoming, process, semi-finished, and finished product inspection processes to ensure quality control at each relevant stage, and clearly define the inspector's operations.
Quality of Components and Finished Products:	• Clarify the process for compiling inspection standards, ensure the timeliness and effectiveness of inspection standards, and facilitate the effective conduct of various inspection tasks.
Quality Inspection:	• Conduct regular quality inspections to enhance the integrity and standardization of inspector work, improve the quality of inspector work, and ensure the consistency of vehicle quality meets requirements as a whole.
Three Guarantees Quality Inspection: Quality Management:	• Regulate the statistics and analysis of market three-guarantee components to reduce the occurrence of defective market three-guarantee components and serve the improvement of product quality.
Product Quality and Consistency Traceability Management:	• Determine the flow and information of products from the source to processing to sales throughout the entire process, enabling traceability from top to bottom and bottom to top, facilitating the identification of reasons for non-conformities, utilizing the initiation of procedures to recall defective products from customers where reports of non-conformities of products have been confirmed, and enhancing production efficiency.

4.3 Responsible Marketing

Luyuan Group consistently adheres to the principle of responsible marketing, strictly complies with ethical and legal standards in all aspects of marketing activities to ensure that the information conveyed is truthful, accurate, complete, and clear, and firmly opposes any form of false advertising or misleading statements.

In terms of product information presentation, Luyuan Group provides a dedicated Product Manual for each model under its three major product categories: electric bicycles, electric mopeds, and electric motorcycles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For electric bicycles, the Manual includes a schematic diagram and parameters of the vehicle for consumers to intuitively understand its appearance and basic specifications, an electrical schematic diagram to clarify the electrical structure, pre-use safety precautions to ensure a safe first-time experience, safe riding guidelines to safeguard users, and warranty terms to inform consumers of their rights.

For electric mopeds, the Manual covers pre-use safety precautions, safe riding guidelines, and warranty terms, along with a component description to help consumers understand the vehicle's parts and an electrical schematic diagram to illustrate the operation of the electrical system.

For electric motorcycles, the Manual similarly includes pre-use safety precautions, safe riding guidelines, and warranty terms, as well as a component description to familiarize consumers with the parts and an electrical schematic diagram to explain the working mechanism of the electrical system.

Quality Department Team Building

In December 2024, the Quality Department meticulously planned and executed a unique team-building activity. This event innovatively integrated quality management concepts and objectives into interactive games, aiming to enhance employees' awareness and understanding of the Group's core values and quality goals through engaging activities.

The activity featured a quiz game focusing on our mission: "To create wonderful mobility experiences with professionalism and innovation". Through answering questions, employees not only deepened their comprehension of this mission but also clarified their individual roles and responsibilities in achieving it. Questions related to the corporate vision: "To be the leader in providing full-scenario lightweight mobility solutions", guided employees to reflect on how their personal efforts could contribute to realizing this vision.

Regarding core values, a series of targeted questions helped employees recognize the significance of professionalism, integrity, and openness in daily work, as well as how to embody these values in every detail of their tasks.

Additionally, a quiz segment on the strategic goals of the Manufacturing Division provided employees with a comprehensive understanding of the Group's specific targets in areas such as production value, contributions, and compensation benefits, effectively strengthening their sense of responsibility and mission.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Questions on quality objectives covered key metrics like first-pass yield and out-of-box quality, reinforcing employees' awareness of the critical role of quality control in production. Professional knowledge such as the Seven Basic Tools of Quality, PDCA cycles, and the Three Non-Acceptance Principles of Quality was also incorporated into the quiz, further enhancing employees' expertise.

This team-building activity successfully embedded quality management concepts into employees' minds through interactive and enjoyable methods, significantly boosting team cohesion and advancing the Group's quality management initiatives and ESG goals.

During the Reporting Period, the Group implemented three preventive recalls for potential safety hazards and promptly communicated the handling progress to the market through public announcements. Thanks to the well-established product traceability mechanism and transparent customer communication system, these measures did not trigger any consumer complaints. The Group has not been aware of any material incidents involving serious violations of product liability, health and safety of products and services, or advertising and labeling regulations that have had significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.4 Customer Rights Protection

Excellent Customer Service

2024 Performance Highlights

Type	Year of award	Name of award/qualification	Issuing organization
Marketing	2024	Luyuan × "Let's Farm" IP Synergy Marketing Campaign – Silver Award in Entertainment Marketing	15th TigerRoar Awards
Marketing	2024	Luyuan × "Let's Farm" IP Synergy Marketing Campaign – Bronze Award in Motor Vehicle Aftermarket & Transportation	15th TigerRoar Awards

The Group is committed to providing customers with high-quality and reliable products and services to establish mutual trust and long-term cooperation. In product marketing and promotion activities, we strictly adhere to ethical, scientific and objective principles. We place high importance on customer feedback and actively invest in delivering quality services.

During the marketing efforts, the Group strictly adheres to local legal requirements and industry guidelines, including the Advertising Law of the People's Republic of China. To ensure the legality, authenticity, scientificity and accuracy of marketing activities, we have established comprehensive internal systems such as the "Marketing and Promotion Process Regulations", requiring all marketing content and formats to undergo internal review. We strictly prohibit the dissemination of deceptive or misleading promotional information to ensure that customers' legitimate rights and interests are not infringed upon. During the Reporting Period, the Group was not involved in any legal litigation related to false marketing claims.

The Group upholds the service philosophy of "user-centered, customer-first, and sincere service", leveraging its nationwide service network to provide convenient services to customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customers can access standardized, streamlined, and visualized services through the WeChat mini-program "Luyuan Owner Service", ensuring a hassle-free experience. The mini-program offers comprehensive features as follows:

- Dedicated customer service: In the mini-program, each vehicle owner is assigned a dedicated customer service representative. Whenever they encounter a problem, whether it is a question about vehicle use, maintenance and repair consultation, or any confusion about the service process, they can contact the dedicated customer service representative through the mini program at any time. The dedicated customer service representative will provide a patient answer as soon as possible, provide professional and meticulous service, and follow up on the needs of the vehicle owner throughout the process until the problem is solved.

- 24-hour roadside assistance: If the owner encounters a vehicle breakdown or an unexpected situation while driving, they can press a button on the applet to call for help. Our professional roadside assistance team is on call 24 hours a day. After receiving a request for assistance, they will respond quickly and, based on the real-time location of the vehicle owner, quickly head to the scene. Upon arrival, the rescue personnel will first conduct an on-site assessment. If the vehicle can be repaired on site, they will use professional tools and rich experience to quickly repair the fault; if the vehicle cannot be repaired on site, they will provide a safe and reliable vehicle towing service to transport the vehicle to a designated repair outlet to ensure that the owner can safely get out of trouble.

- Repair at the store: The owner can easily find the service outlet closest to them in the applet and make an appointment for the repair in advance. After arriving at the store, the professional maintenance personnel will accurately locate the fault based on the owner's description and the vehicle inspection results, and use original factory parts for efficient maintenance. The progress of the maintenance can also be tracked in real time on the applet.

- Make an appointment for a home visit: If the owner is inconvenienced by the time or the vehicle is difficult to move, they can make an appointment for a home visit through the applet. Professional maintenance personnel will bring professional tools and the required accessories, and arrive at the agreed time to provide convenient maintenance services at the owner's doorstep, reducing the owner's hassle.

- Self-check for faults: The mini-program is equipped with an intelligent self-check function for faults. The owner only needs to select the corresponding symptom description on the mini program according to the abnormal phenomenon of the vehicle, and the system can initially determine the possible cause of the fault and provide corresponding suggestions to help the owner quickly understand the vehicle's condition and prepare for it in advance. Transparent pricing: clearly marked prices allow customers to shop with peace of mind and enjoy a more worry-free service experience.

The Group has set "3 minutes response, 30 minutes arrival, 24/7 on duty" as its service goals, and has developed the 123+N service model to continuously optimize the market service system and pipeline after-sales service system, aiming to provide customers with excellent service experiences.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

123+N Service Model

1 Dispatch Service Platform

We provide various professional services including road rescue and work subsidies based on this dispatch service platform. Additionally, the platform can enhance store service realization through professional services and expanding membership.

2 Standardized Service Processes

We have established standardized service processes for road rescue and in-store services to ensure quick response and reduce waiting time. Our professional rescue team and unified service standards can provide customers with more reliable and convenient service experience.

3 Service Network Construction Models

We have established three types of service network architectures including "1st-tier city service network construction", "2–4th-tier city service network construction" and "County-level service network construction" to ensure catering to the needs of all customers. We establish flagship service stations, standard service stores, retail stores, and franchises with suburban network points to create a service network with a service radius of not more than five kilometers and establish information interconnection between network points to communicate service issues, company policies, and accessory needs in real-time.

N Types of Service Modes

We improve revenue and other service operation models through diversified service management models to enhance service efficiency and solidify the foundation of service capabilities. Some of the main services provided are as follows:

24-hour road rescue: Solving the trouble of vehicles breaking down halfway

20 free-of-charge services: Regularly inspecting some accessories involving safety and easily overlooked

Three-year seven-times maintenance: Providing long-term and practical maintenance services

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Channel Partner Management

As of December 31, 2024, the Group has established a three-dimensional service network covering 31 provincial-level administrative regions and 328 cities nationwide. Through over 1,400 first-level distributors and more than 12,800 offline retail outlets, we ensure that customers can easily obtain standardized services.

The Group ensures the uniformity of service standards through institutionalized management and control. The core management measures are as follows:

Management dimension	Implement measures
Cooperative structure	Adopt a multi-level distribution model based on regional divisions
Standardization	Mandatory release channel management standards via distributor system mailboxes under a mandatory read confirmation mechanism
New product service guarantee	Launch a mandatory course on new product guidance online every quarter through Luyuan University

The Group has established a tiered evaluation system to ensure service quality. On a monthly basis, primary distributors nationwide are assessed against PBC metrics, with regional management teams reviewing evaluation results through monthly performance reports. Business managers then develop targeted improvement plans. Underperforming service outlets are subject to either corrective action notices or performance commitment mechanisms, with follow-up verification conducted the following month to track improvement progress. This creates a closed loop of "evaluation-feedback-improvement" management cycle.

Customer Feedback Mechanism

Luyuan Group attaches great importance to customer feedback and has established unobstructed channels for customer service complaints. We actively listen to the opinions and suggestions of every customer in a serious and responsible manner. In order to ensure standardized and efficient complaint handling, the Group has specially formulated the "Product Quality Complaint Handling Process", which has clear standards and requirements for every step, from complaint acceptance and investigation and verification to result feedback, so that every customer request can be properly responded to. When handling complaints in practice, we will flexibly apply the handling process based on the specific circumstances of the complaint. If there is a mature standard service plan for the complaint, we will handle it quickly and without delay or prevarication in strict accordance with the established process, so as to fully protect the rights and interests of customers and satisfy them. If there is no standard service plan for the content of the complaint, the customer experience specialist, after-sales quality engineer, inspector and the quality department of each business unit will discuss the cause of the customer complaint and propose a specific plan to resolve the complaint. We also periodically summarize and evaluate the process of handling customer complaints, draw lessons from experience, propose improvement suggestions, continuously improve business management and operational processes, and improve the quality and level of customer service. During the Reporting Period, the Group received a total of 104 customer complaints, mainly involving 63 after-sales service cases and 41 product quality cases. All complaints have been properly handled, with a timely processing rate of 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case Study: Driving Industry Growth Together in the Name of "Family"

The Group has consistently upheld the philosophy of "Family Culture", emphasizing two-way communication and mutual success. By actively listening to distributors and consumers, we support our partners in improving their business operations and living environments. This people-centric management approach has fostered long-term trust, with many distributors remaining loyal for over a decade, their growth standing as a testament to Luyuan's support. For 27 years, regardless of market fluctuations, Luyuan has never abandoned a single partner. Standing shoulder-to-shoulder with distributors to overcome challenges, this spirit of shared perseverance has become the cornerstone of our brand's trustworthiness.

This cohesion is vividly reflected in action. During the reporting period, distributors in Jinzhou independently organized the "Epic Ride: Conquering Mountains and Seas", a 2,000-km endurance challenge showcasing Luyuan's flagship digital battery technology. This rare industry feat not only demonstrated distributors' confidence in Luyuan's technical prowess, but also their shared resolve to push boundaries and expand markets, further strengthening the synergistic competitiveness between the brand and its partners.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Privacy and Information Security

To ensure comprehensive protection of customer privacy and information security, the Group has formulated the "Information Security Management Regulations." In terms of security protection, we have established measures that comply with industry standards and classified and graded all data involved in the Company. Based on the type and scope of data, it is divided into four categories, with clear permissions and encryption control measures established for each category.

The Group has established an Information Security Management Team, with the director of the data centre serving as the team leader. Its responsibilities include implementing national guidelines, policies, laws, and regulations on information security management, ensuring that the Company's information security management work is highly consistent with national laws and regulations. It is also responsible for reviewing the Company's information security management system and supervising its implementation to ensure the effective execution of the system. The server security engineer and operation and maintenance security engineer serve as executive officers and assist the director of the data centre in coordinating information security management. They regularly check for system security vulnerabilities and ensure the security and stability of the server and operation and maintenance environments. Each department has executive members responsible for implementing various information security management tasks issued by the team and conducting information security education for employees to enhance their awareness.

The Group organizes employees to participate in information security-related training annually. The training content includes laws and regulations related to information security, the Group's information management policies, commonly used computer and network security protection methods, etc., aiming to enhance employees' awareness and skill levels in information security and to ensure the comprehensive and effective implementation of information security management work. In addition, in order to further strengthen information security, a third-party organization is regularly invited to conduct vulnerability tests on our systems. Potential security risks are identified and fixed in a timely manner to ensure system security.

Empowered by Intelligent Safety Technology

Luyuan Group has constructed a "convenient-safe-controllable" three-in-one user rights protection system through two core technologies: the N+ unlocking system and the triple positioning anti-theft system.

N+ Unlocking System: Twinned Commitment to Ease and Security

The Luyuan N+ unlocking system integrates four major technologies Bluetooth contactless unlocking, intelligent app remote control, NFC near-field sensing and car sharing to create a flexible and efficient vehicle usage management system:

- Convenience: Support keyless operation (Bluetooth/NFC), remote authorization (APP), and temporary sharing (social platforms), covering both personal use and family sharing scenarios.

- Security: With the Luyuan Smart App, users can also pair other NFC-enabled devices with the vehicle, further expanding the flexibility and security of unlocking methods.

Triple Positioning Anti-theft System: 360° Protection and Real-time Response

The Luyuan triple positioning anti-theft system integrates Beidou/GPS satellite positioning, communication base station assisted positioning and intelligent abnormal movement monitoring technology to form a three-dimensional anti-theft network:

- Precise tracking: Dual-mode satellite positioning complements base station positioning, covering complex scenarios such as cities and underground garages, and locking the vehicle's location in real time.

- Proactive protection: Highly sensitive sensors monitor unusual movements or vibrations in real time, trigger an alarm and deter theft.

4.5 Sustainable Supply Chain

Supplier Screening

The Group's ability to consistently deliver high-quality products and services to customers relies on its robust and stable supply chain as the key foundation. Currently, the Group has established a comprehensive supplier management system, including regulations and processes such as the Supplier Management Regulations, the Supplier On-boarding Process, the Supplier Evaluation Process, the Supplier Elimination Process, and the Supplier Account Closure Process. These processes and regulations are designed to holistically manage supplier product quality, supply stability, and service consistency, thereby ensuring that the Group's products and services consistently meet high standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

When evaluating potential suppliers, the Group organizes category managers, R&D engineers, and quality engineers to conduct on-site assessments. During this process, the evaluation team completes a Supplier On-Site Audit Form, conducting in-person reviews and scoring across multiple dimensions, including production processes, quality control, mold and equipment maintenance, supply assurance capabilities, operational management level, and process control, while also collecting foundational data. Notably, the evaluation process also incorporates considerations related to the following ESG factors.

Environmental aspect	Social aspect
1. Does the supplier hold certifications such as ISO14001 Environmental Management System?	1. Does the supplier hold certifications such as ISO14001 Environmental Management System?
2. Does the supplier possess valid environmental monitoring reports for air pollutant emissions?	2. Does the supplier have approval files for pre-assessment of occupational disease hazards issued by the Health Bureau?
3. Is the sewage permit still valid?	3. Is there a policy in place to protect employees from harassment?
4. Does the factory have proper storage for hazardous materials?	4. Is there a way for employees to complain directly bypassing the supervisor?
5. Are waste materials, scrap metals, and garbage handled properly and appropriately?	5. Are regular health checks provided to employees?

Additionally, after signing contracts with suppliers, in line with our responsible attitude towards society, we will supplement the contract with an "Environmental Safety Initiative" document. According to GB/T 24001 "Environmental management systems - Requirements with guidance for use" and GB/T28001–2011 "Occupational health and safety management systems — Requirements," we propose initiatives such as resource conservation, waste reduction, and emission reduction, aiming to develop a circular economy and achieve green production together with suppliers.

One of the important measures in the "Environmental Protection and Safety Proposal" is to carry out an improvement plan for the packaging of component suppliers. We actively encourage suppliers to abandon the original disposable wrapping paper and use iron frame packaging. This change not only promotes the recycling of iron frame packaging, but also reduces the generation of packaging waste at the source, effectively achieving a circular connection in the supply system and green transportation.

Indicator		Unit	Total number of suppliers in 2024	Number of new suppliers screened according to environmental, social and other dimensions
Total number of suppliers		number	439	24
Number of suppliers by region	Mainland China	number	439	24

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. EMPLOYEES AND SOCIETY

The active engagement of our employees is the core driver behind the Group's long-term business growth, which is why we consistently prioritize building an exceptional employer brand. We take a comprehensive approach to employee well-being, ensuring our workforce gains both professional fulfillment and personal happiness. At the same time, we recognize that our partners are vital to business expansion, and we place great emphasis on safeguarding their legitimate interests, fostering mutual growth and win-win collaboration.

Beyond this, we actively fulfill our social responsibilities by focusing on the communities where we operate and proactively participating in initiatives that promote community health and development. Through concrete actions, such as organizing public welfare activities and improving community infrastructure, we strive to enhance residents' quality of life. We firmly believe that corporate growth and social progress are deeply interconnected. Only by actively giving back to society and achieving positive interaction between business and community can we realize true shared success, creating a favorable external environment for the Group's sustainable development.

Corresponding UNSDG:

5.1 Employee Rights and Benefits

Employment Management

Luyuan Group consistently adheres to a people-oriented management philosophy, regarding employees as the core element of sustainable corporate development. In terms of employment and management practices, the Group strictly complies with national legal requirements including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law on the Protection of Women's Rights and Interests, as well as relevant local regulations. Simultaneously, the Group has established a comprehensive internal management system, implementing the Employee Handbook and Attendance Management Regulations to ensure standardized recruitment and employment processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

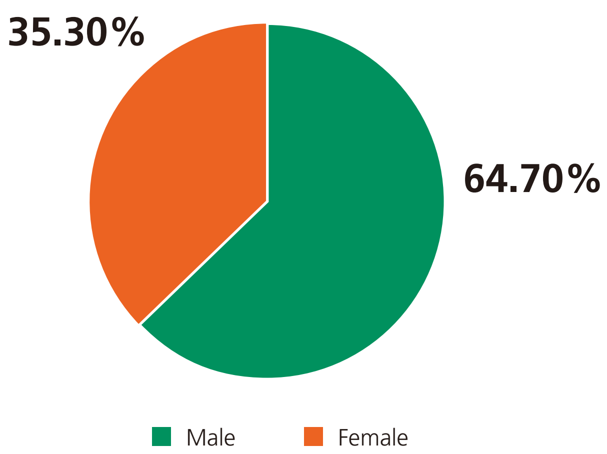
For talent selection, the Group has developed a scientific evaluation system. Based on the "selection-based talent acquisition" principle from its "Seven Talent Development Principles", the Group conducts recruitment through multiple channels and employs a personal performance commitment evaluation system that assesses candidates across multiple dimensions including performance, professional competence, and value alignment. To optimize talent acquisition, the Group has established an internal referral incentive mechanism that provides both monetary rewards and career development points to employees who successfully recommend candidates passing probation, effectively enhancing staff participation in talent recommendations.

The Group maintains a systematic probation management system guided by the Group Probation Management Regulations. New employees must complete comprehensive training programs including orientation and department-specific training, with duration and requirements strictly following the Training Hours Management Regulations of the Group. Regarding performance management, probationary employees are evaluated under the Performance Management Regulations of the Group, with assessment results serving as key reference for regularization decisions while being exempt from departmental forced distribution requirements.

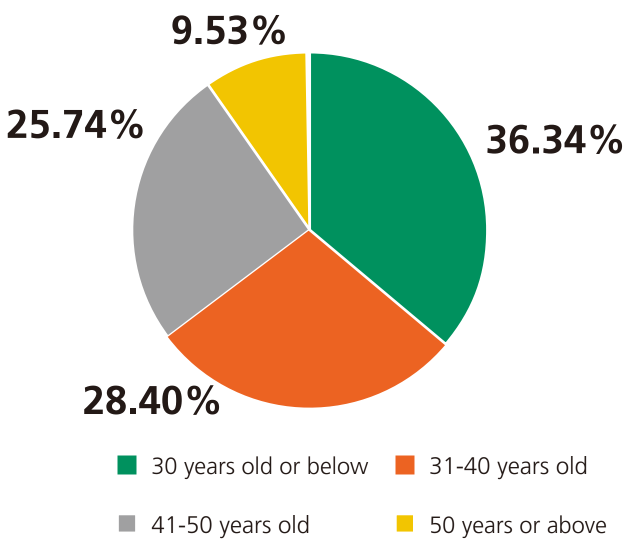
The Group strictly follows equal employment principles and resolutely prohibits all forms of employment discrimination. We commit to protecting all employees' legal rights, ensuring no discriminatory treatment occurs during recruitment, promotion, compensation or other processes based on gender, disability, marital/family status, sexual orientation, age, political views, religion, union participation, race, social class, cultural background or nationality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

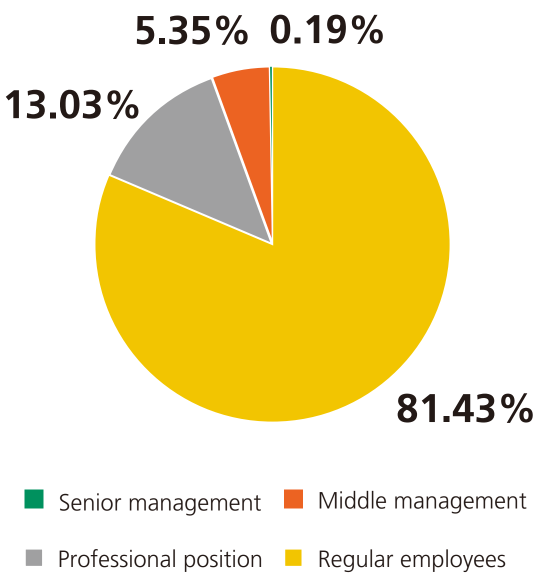
Total numbers of employees by gender



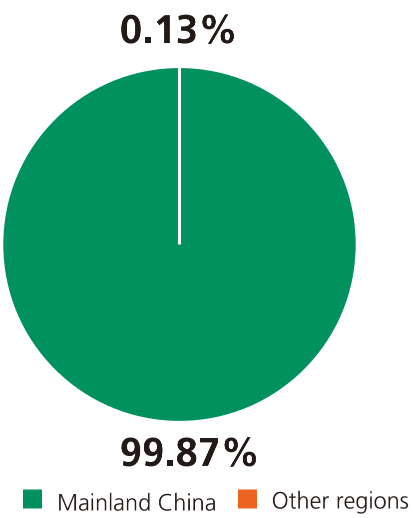
Total number of employees by age



Total numbers of employees by type of employment



Total number of employees by geographical region



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Year		2024	2023
Total number of employees (persons)[1]		**3,085.00**	2,906.00
Total numbers of employees by gender (persons)	Male	**1,996**	1,888.00
	Female	**1,089**	1,018.00
Total numbers of employees by age group (persons)	Below 30	**794**	771.00
	31-40 years old	**1,121**	1,093.00
	41-50 years old	**876**	771.00
	50 years old or above	**294**	271.00
Total numbers of employees by employment type (persons)	Senior management	**6**	6.00
	Middle management	**165**	150.00
	Professional position	**402**	451.00
	General staff	**2.512**	2,299.00
Total numbers of employees by region (persons)	Mainland China	**3.081**	2,904.00
	Others	**4**	2.00

Year		2024	2023
Total employee turnover rate (%)[2]		**16.53%**	15.70%
Total employee turnover rate by gender (%)	Male	**17.69%**	16.40%
	Female	**14.42%**	14.40%
Employee turnover rate by age group (%)	Below 30	**23.05%**	29.60%
	31-40 years old	**15.79%**	14.60%
	41-50 years old	**7.53%**	6.70%
	50 years old or above	**28.57%**	5.90%
Total employee turnover rate by employment category (%)	Senior management	**16.67%**	0.00%
	Middle management	**4.85%**	3.30%
	Professional position	**9.20%**	1.10%
	General staff	**18.47%**	16.30%
Employee turnover rate by region of employment (%)	Mainland China	**16.55%**	15.70%
	Others	**0.00%**	0.00%

1 Number of employees as of December 31, 2024.

2 Employee turnover rate refers to the total number of employees leaving in a specific category divided by the total number of employees in that corresponding category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Compliance

The Group always regards employment compliance as a top priority and strictly abides by applicable laws and regulations that have a significant impact on the Group and are related to the prevention of child labor and forced labor, especially the Law of the People's Republic of China on the Protection of Minors and the Regulations on the Prohibition of Child Labor. To further ensure compliance, the Group has formulated a series of regulations, including the "Recruitment Management Regulations", "Regulations on the Prohibition of the Use of Child Labor and Child Labor Management", and "Regulations on the Prohibition of Forced Labor", to firmly oppose the employment of child labor and forced labor from a regulatory perspective.

In terms of recruitment process control, the Group clearly stipulates that only people over the age of 18 will be recruited, completely eliminating the risk of child labor from the source. Before hiring employees, the HR specialists at each base adopt more rigorous identity verification procedures to carefully verify the age and ID information of the laborers, and never hire child labor. At the same time, personnel responsible for recruitment, personnel management and related work have all received professional training on prohibiting the use of child labor or forced labor, which effectively improves employees' ability to identify and respond to employment compliance risks.

The BP Department of the Group fully exercises its supervisory role and continues to strengthen the monitoring of employee recruitment processes to prevent the use of child labor and forced labor. All personal information of new employees is strictly verified by personnel officers at each base to ensure compliance with legal working age and work permit requirements before obtaining job positions. Once cases of mistakenly hiring child labor are discovered, the Group will repatriate them in accordance with the law, notify their parents to pick them up, and bear the cost of their return journey. If forced labor is discovered, we will conduct in-depth investigations with the forced laborers, collect opinions extensively, discuss with management urgently, and work together to find practical solutions. In serious cases, timely report to the public security authorities, actively cooperate with law enforcement investigations, and do everything possible to safeguard the legitimate rights and interests of workers.

To further strengthen employment compliance management, the Group has established a comprehensive whistleblowing mechanism to ensure that employees and external parties can easily report issues. The Group strictly prohibits any form of forced labor and continuously strengthens the protection of employees' rights and interests in daily operations.

During the Reporting Period, the Group did not receive any reports of violations against relevant laws and regulations related to the prohibition of child labor and forced labor. In the future, the Group will continue to optimize its employment compliance management system, continuously improve its level of fulfillment of social responsibilities, and create a better working environment for employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Benefits

The Group has always placed the protection of employees' fundamental rights at the strategic core, actively responding to national and local government legal requirements by fully implementing statutory welfare programs in strict accordance with the Welfare Management Regulations.

Regarding social insurance, the Group provides employees with the "Five Social Insurances and One Housing Fund," which includes basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund. This initiative not only complies with legal requirements but also provides employees and their families with solid financial security for the future, ensuring peace of mind during their employment. Employees receive timely and essential support in areas such as retirement, healthcare, unemployment, work-related injuries, and maternity. The housing provident fund further assists employees in realizing their homeownership dreams and alleviates financial pressure.

For statutory leave, we strictly adhere to national and local laws and regulations, ensuring employees receive sufficient paid holidays. This allows employees to spend time with family, relax, and achieve work-life balance, enabling them to return to work refreshed and motivated.

For workers operating in high-temperature environments, we provide high-temperature subsidies. This not only acknowledges their hard work under challenging conditions but also serves as a critical measure to safeguard their health.

In terms of occupational protection, the Group actively cultivates compliant office environments equipped with comprehensive facilities and supplies. Employees in roles with occupational hazards undergo regular health check-ups to detect potential issues early. Additionally, we provide occupational safety and health facilities, as well as protective equipment, ensuring employee safety and well-being in all aspects.

The Group thoughtfully prepares birthday cards for each employee on their special day, conveying heartfelt wishes and fostering a sense of belonging through warmth and care. During major traditional festivals such as Chinese New Year, Mid-Autumn Festival, and Dragon Boat Festival, the Company offers diverse holiday gifts, including food hampers, shopping vouchers, and wellness products, spreading festive cheer and appreciation. Beyond the annual routine health check-ups, the Group has expanded its screening programs to include tests for common chronic diseases, enabling a more comprehensive focus on employee health. Post-enhancement, employee satisfaction with the health check-ups exceeded 90%. Many employees expressed that the additional screenings provided clearer insights into their health and deepened their appreciation for the Company's commitment to their well-being.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group adheres to the principles of fairness and transparency by establishing the Compensation Management Regulations to build a scientific remuneration system. Differentiated salary structures are implemented for production-line and non-production-line employees. Production-line employee compensation includes piece-rate wages, subsidies, year-end bonuses, excellence awards, and achievement awards, with piece-rate wages calculated based on production quantity, unit price, and 3E scoring to ensure performance-based rewards and motivate efficiency improvements. Non-production-line employee compensation consists of base salary, overtime pay, subsidies, performance bonuses, excellence awards, achievement awards, and stock options, with job grades determined through Mercer IPE position evaluation and salary levels set via competency assessment, precisely matching position value with individual capability to fully reflect pay equity.

Regarding working hour management, the Group prioritizes legal compliance by strictly following national regulations to safeguard employees' legitimate rights. The Employee Handbook provides detailed provisions on overtime, working hour calculation, attendance, statutory holidays, annual leave, and special statutory leave, offering clear guidelines to create a standardized work environment that promotes employee well-being and work-life balance while fulfilling corporate social responsibilities.

Employee Activity Room

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Clinic Renovation

Employee Self-Service Cafeteria

Employee Care

In order to enrich employees' spiritual and cultural lives and create a diverse yet warm corporate culture atmosphere, Luyuan Group actively established a labor union. The union members consist of department heads, with the union chairman elected through anonymous voting to ensure fairness and impartiality in the election process.

The union collaborates with relevant departments to actively organize and host various employee care initiatives, health-focused activities, and public welfare programs. During the Reporting Period, the Company successfully conducted a series of colorful cultural interactions and team-building activities, such as the Chongqing base groundbreaking ceremony, commendation conferences, and fun sports meets. These activities not only enhanced communication and cooperation among employees but also further strengthened their sense of belonging and identification with the enterprise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Spring Festival couplets: Employee gathering at the event site to write and give away spring festival couplets in a festive atmosphere to convey New Year blessings. A total of 105 employees participated in the event.

Women's Day: The event revolved around flowers and other elements, with participants making bouquets to show their care for women. A total of 58 employees participated in the event.

Recognition meeting: Outstanding performers were commended and rewarded on stage, while many employees witnessed the moment of glory together. A total of 305 employees participated in the event.

Fun Sports Meeting: Everyone participated enthusiastically in various fun sports activities in the sports hall. A total of 213 employees participated in the event.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Communication

The Group places high importance on employee communication and actively implements a series of measures to build an open, transparent, and efficient communication environment, thereby promoting mutual development between employees and the Company while enhancing overall operational efficiency and employee satisfaction.

In terms of employee knowledge enhancement and awareness building, the Group regularly conducts training sessions on laws and regulations such as traffic safety. Traffic police officers or professional instructors are invited to systematically educate employees on relevant legal knowledge, aiming to comprehensively improve their legal and safety awareness. Through these training programs, employees gain a deeper understanding of laws and regulations, enabling them to better comply with legal requirements in their daily lives and work while safeguarding their legitimate rights and interests.

To ensure timely and effective responses to employee concerns, the Group has established a transparent and efficient complaint feedback mechanism. We provide an anonymous complaint platform supported by a dedicated complaint handling team, allowing employees to submit feedback and report issues through multiple convenient channels. Simultaneously, we strengthen oversight and management of the entire complaint handling process, rigorously monitoring efficiency and quality to genuinely improve employee satisfaction. The effective operation of this mechanism provides employees with a platform to voice their opinions freely, safeguards their rights, and facilitates continuous optimization of the Company's management practices.

Recognizing the importance of employee input for corporate development, the Group regularly collects feedback and suggestions on various aspects such as company management, workflows, and business development through diversified methods including surveys, employee forums, and departmental democratic meetings. Encouraging employees to actively participate in the decision-making process not only enhances their sense of involvement and responsibility but also makes corporate decisions more scientific and reasonable, fully aligning with both employee interests and the Company's development needs.

During the Reporting Period, the Human Resources Administration Department in Huadong collaborated closely with the labor union to hold regular employee forums every month. This activity provides employees with an open and free communication platform where they can speak their minds and express their ideas, while also providing feedback to management on problems encountered at work and suggestions for improvement. In addition, two new employee forums were organized this year to help new employees quickly integrate into the Company family. The forums focused on key aspects such as communication and collaboration, colleague relationships, team atmosphere, corporate culture, systems and processes, and logistics services, to help new employees solve problems, enhance their sense of belonging, and actively encourage them to make reasonable suggestions and contribute to the development of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also regularly commissions third parties to conduct employee engagement surveys, allowing employees to participate via online questionnaire platforms. The questionnaire covers multiple questions to comprehensively evaluate employee engagement from various dimensions such as individual engagement and organizational empowerment. The survey results are regularly presented to management, who promptly adjust and optimize the Company's management strategies based on the findings. Department heads also implement relevant improvement measures in a targeted manner based on the survey results. During the Reporting Period, thanks to the active participation of employees, the response rate of the engagement survey was 80.90%. The results showed that our overall organizational engagement was 71.30% compared to an 11.8% increase over 2023, showing a good development trend. This not only reflects our employees' recognition, but also provides a strong basis for our continuous improvement.

Case Study: Awarded the Title of "National Model Worker's Home" – Uniting Teams Through "Family Culture"

The Trade Union Committee of Zhejiang Luyuan Electric Vehicle Co., Ltd. has been honored with the title of "National Model Worker's Home" by the All-China Federation of Trade Unions this year, recognizing its outstanding employee care initiatives. As the highest accolade in China's trade union system, this award celebrates exemplary efforts in safeguarding workers' rights and fostering harmonious labor relations. Among only 996 organizations nationwide to receive this distinction, Luyuan stands as the sole e-vehicle enterprise honored, solidifying its leadership in employee welfare and union development.

This national-level recognition serves as both authoritative validation of Luyuan's core philosophy of "Family Culture Conquers All" and a testament to its longstanding commitment to workforce care. Building on prior honors like "Model Worker's Home" and "Model Collective" in Zhejiang Province, this achievement underscores the profound impact of Luyuan's family ethos. Rooted in systems, culture, and social responsibility, Luyuan's "Family Culture" resonates deeply with employees and partners alike, uniting nationwide distributors and attracting like-minded collaborators to co-create a greener mobility future. Moving forward, Luyuan will continue leveraging this culture as its cornerstone, implementing tailored care programs and team-building activities that address real employee needs. This unbreakable internal unity not only nurtures a thriving workplace but also fortifies resilience against market volatility, propelling sustainable growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.2 Occupational Health and Safety

Occupational health and safety management constitutes a vital component of Luyuan Group's sustainable development strategy. The Group strictly complies with the requirements of laws and regulations including the Work Safety Law of the People's Republic of China and the Fire Protection Law of the People's Republic of China, while continuously improving its occupational health and safety management system. As an enterprise certified with both ISO 45001 Occupational Health and Safety Management System and ISO 17025 Laboratory Quality Management System, we are committed to creating a zero-accident, zero-injury work environment.

Management System and System Construction

The Group has established a comprehensive occupational health and safety management system and formulated and implemented the "Policy, Implementation and Monitoring Methods for Safe Working Environment and Protection of Employees from Occupational Hazards".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type	Measure	Implementation
Management system and system construction	• Set up an annual budget for occupational health-related expenses • Establish a safety production responsibility system • Implement a dual prevention mechanism for occupational diseases • Improve the occupational hazard risk communication system. • Formulate an annual plan for publicity and training on occupational hazard protection.	Fully implemented in 2024 and ensured the effective operation of the management system
Risk prevention and health protection	• Engage a professional third-party organization to conduct regular testing. • Provide employees with labor protection supplies • Implement a system of occupational health examinations • Establish occupational health management files • Follow up suspected cases closely	No suspected cases of occupational disease were found throughout the year, and complete health records have been established
Security check	• Daily routine safety inspection • Monthly environmental safety inspection • Red card system	No major safety issues occurred throughout the year
Safety training	• Safe Production Month activities • Safety Quiz • Specialized training • Training and assessment mechanism	Cumulatively trained 1,388 person-times, with total training hours reaching 3,678.30
Employee care	• Establish a health care mechanism • Raise funds for employees with critical illnesses	Raised more than RMB70,000 for one employee

Occupational Health and Safety Measures

In order to ensure the continuous improvement and effective implementation of occupational health and safety measures, the Group not only continuously optimizes management processes on an ongoing basis, but also actively introduces advanced technologies and methods to cope with the ever-changing working environment and potential risks.

- Regular safety culture promotion: Through safety knowledge training, safety drills, safety poster campaigns, etc., we create an atmosphere where all employees pay attention to safety and enhance their safety awareness.

- Health monitoring and surveillance: Regular occupational disease screening is conducted for employees, especially for positions that are exposed to hazards such as dust, noise, and chemical toxins, to ensure that employees' health is effectively protected.

- Occupational health education: Before employees start work, they are organized to participate in occupational health education and publicity training to ensure that each employee understands the job risks and protective measures.

- Risk warning signs: Occupational health risk warning signs are posted in the production area for different types of work (positions) to remind employees to always pay attention to safe operation.

- Risk prevention and control and hidden danger investigation: comprehensively implement the "dual prevention mechanism" of risk classification and control and hidden danger investigation and governance, and formulate detailed and targeted control measures. A site safety inspection team is set up to conduct comprehensive inspections of the production site every day and to immediately rectify any hidden dangers once found.

- Occupational health monitoring: Every year, a professional third-party testing agency is commissioned to conduct a comprehensive occupational health monitoring of the workplace, and every three years, an evaluation of the current occupational health situation is organized to ensure that the working environment meets national standards.

- Personal protective equipment: Employees are provided with quality personal protective equipment such as dust masks, gas masks, earplugs, protective gloves, etc., and their use is regularly checked.

- Occupational health check-ups: Occupational health check-ups are arranged for employees in strict accordance with the prescribed cycle. Special inspections are carried out for employees in high-risk positions, and health records are established and tracked.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safety Measures and Prevention

The Group has taken the following preventive measures to ensure the safety of employees in the event of potentially fatal accidents:

- Safety Committee: Establish a safety committee, assign safety responsibilities to departments, make department heads the primary safety officers, and include safety work in the performance appraisal indicators of departments.

- Three-level safety training: Regularly organize three-level safety training at the team, departmental and company levels to strengthen supervision of the promotion and implementation of safe operations in all areas and positions.
- Safety announcements at morning meetings: A fixed session is set up at each department's morning meeting, and the meeting organizer announces safety precautions on a daily basis as a regular practice.

- Safety supervision inspections: Each department assigns a special person to be responsible for safety supervision inspections, and regularly organizes the investigation and remediation of safety hazards.

- Safety knowledge quiz and competition: Organize a safety knowledge quiz and competition every year with full participation to improve employees' safety knowledge.

- Fire equipment inspection and drills: Regularly organize fire equipment and facility inspections to ensure that the equipment is in good condition; regularly conduct fire drills to familiarize employees with the use of firefighting equipment and safety knowledge.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Successful occupational health and safety case:

In November 2024, the Group organized its annual occupational health examination, focusing on special examinations for employees in high-risk positions (such as production workshops and equipment operation), including tests of hearing, lung function, and vision. During this physical examination, abnormalities were found in the hearing tests of three employees. In response to this situation, the relevant employees were immediately urged to undergo a re-examination to confirm the specific cause of the hearing abnormality, and a detailed health record was established to record the results of their physical examinations and the trend of changes in their health status. A dedicated person was assigned to follow up and manage the situation to ensure timely intervention of health issues.

The Group plans to organize the certification of the occupational health and safety system at the Guangxi base in 2025 to further improve the standardization and normalization of occupational health and safety management. By introducing new technologies and methods such as intelligent monitoring systems and big data analysis, the Group will be able to more accurately identify and control potential risks and ensure a safer and healthier working environment for employees.

During the Reporting Period, we recorded a total of eight injured employees and 637 lost days due to work injury. Such injuries mainly include traffic accidents during employee commuting.

Indicator	**Unit**	**2024**	2023
Number of deaths due to work	person	**0**	0
Number of work-related injuries	person	**8**	17
Total number of days lost due to work injury	day	**637**	557

In 2024, the Group maintained a zero record of serious injuries and fatalities, with minor injury incidents controlled below 0.35%, demonstrating remarkable achievements in safety management. Through regular safety inspections and systematic training mechanisms, we continuously enhance employees' safety awareness and skills, effectively safeguarding the Company's production safety.

5.3 Talent Cultivation and Development

Talent Attraction and Retention

2024 Performance Highlights

Retention rate of new employees in 2024:	Retention rate of new employees recruited through campus recruitment in 2024:
84.70%	91.00%

The Group consistently regards employees as the core driving force for sustainable corporate development. Adhering to the talent development philosophy of "exceptional promotions and bold recruitment," we continuously optimize talent attraction and retention mechanisms. Through diversified recruitment channels, comprehensive career development systems, and competitive compensation and benefits programs, we are committed to providing employees with expansive development platforms to fully unleash their potential and achieve mutual growth with the enterprise.

The Group attracts outstanding talents through diversified recruitment channels to ensure the diversity and high quality of our talent pool.

Recruitment channel	Concrete measure	Target group	Advantage
Internet recruitment platforms	Cover major recruitment websites to accurately match job requirements	Social talents	Highly effective, wide coverage, accurately targets the target audience
Campus recruitment	Establish long-term cooperative relationships with key universities, hold special job fairs and school-enterprise cooperation projects	Recent graduates	Attract young talent and cultivate future leaders
Social recruitment	Attract mid-to-high-end talent through channels such as industry summits and professional forums	Mid-to-high-level talents	Quickly replenish talent in key positions and enhance the professional capabilities of the team
Internal referral program	Encourage employees to recommend outstanding talent and offer rewards	Internal staff recommend talents	Improve recruitment efficiency and enhance employee engagement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has meticulously designed differentiated programs for employees at various positions and levels. Through personalized training initiatives, a diversified training system, and a strong corporate culture, we enhance employees' sense of belonging and loyalty, ensuring the stability and competitiveness of our talent pool.

Employee category	Core demand	Concrete measure
New employees	Quickly integrate into the Company, clarify career development, and gain growth opportunities	Customized induction training: Personalized induction training is designed according to the characteristics of the position, covering corporate culture, job skills, team integration and other content. Mentorship: New graduates are assigned a senior employee as a mentor to provide one-on-one guidance and help them quickly adapt to the work environment. Career path planning: Set clear career paths for new employees, and clarify promotion channels and required skills.
Professionals	Enhance professional skills, gain career growth and recognition	Professional level assessment: opportunities for internal professional level assessment for different professional levels (beginner, intermediate, advanced, etc.) Project leadership opportunities: Senior professionals are encouraged to participate in the implementation of group-level projects to enhance their influence and sense of achievement. Dual career path: establish dual career paths for professional and management sequences, so that professionals can choose a career path as technical experts or managers
Managers	Enhance management capabilities and gain greater career development space	Leadership development program: Leadership courses are designed for managers at different levels, such as the Focused Star Program and the From Saint Program. Job rotation and cross-border learning: Rotate managers or involve them in cross-departmental projects to broaden their horizons and capabilities Monthly learning and AI search: Important management content of the Company will be compiled into lessons each month for self-study on mobile phones. Readers can also search for related management content using AI search.

Employee category	Core demand	Concrete measure
Operators	Enhance operational skills, gain a sense of security and professional dignity	Skill certification and promotion channels: establish a certification system for operational skills levels, and those who pass the assessment can receive a skill allowance and promotion opportunities Skill competitions and recognition: Skill competitions are held regularly to recognize and reward outstanding operators. Single-point training: short, targeted training sessions on common issues for operators

At the same time, facing fierce competition in the electric bicycle industry, the Group regularly conducts industry competitiveness analyses and closely monitors competitors' talent development initiatives. By drawing on industry best practices, Luyuan Group promptly optimizes its talent attraction and retention strategies to ensure alignment with market demands.

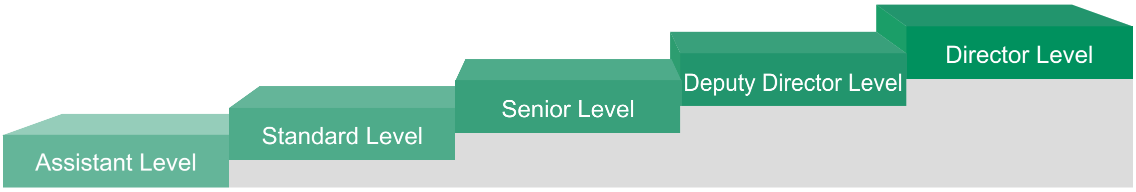
Employee Promotion

The Group actively encourages employees to participate in promotion selections. The "Position System Management Regulations" clearly define promotion pathways for all employees, whether managerial or professional staff. Professional staff with outstanding performance over the past six months or significant departmental achievements may apply for promotion evaluation once annually. Managerial staff ranking in the top 20% of the comprehensive 360-degree evaluations of the Group may be eligible for promotion selection. Should employees have concerns about the promotion process or results, they may file appeals through their respective Business Partners (BP) via a tiered escalation process, ensuring full protection of employees' voice and appeal channels to guarantee fair and just promotions.

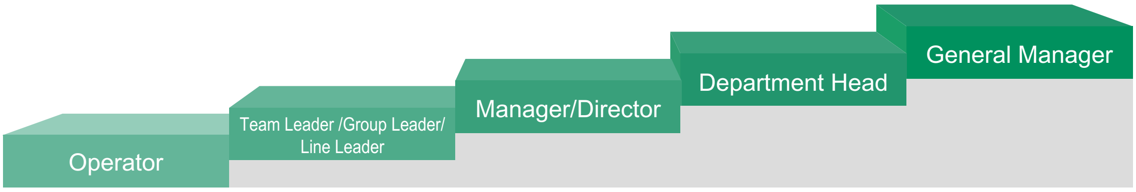
Regarding employee career development, we fully implement the "Seven Principles of Talent Development". For managerial development, we have established a director-level reserve talent pipeline and implemented job rotation systems, combining internal selections with external recruitment to build management talent reserves. For professional staff management, we have created a standardized level evaluation system with clear position categorization, assessment criteria, implementation procedures, and application mechanisms for results, providing employees with transparent career development pathways.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

▸ ***Professional Channel Promotion Pathway***



▸ ***Management Channel Promotion Pathway***



Case of Promotion of Management Personnel

The General Manager of the Green Power Marketing Division was promoted from her previous role as Marketing Director of the Domestic Business Division. During Luyuan's innovation and transformation phase, she spearheaded the end-to-end development of new products from market research and product positioning to team building, R&D, and commercial launch. Despite initial resistance from internal teams and distributors, she successfully paved the way for Luyuan's product transformation through continuous optimization of marketing campaigns and strategies. Her promotion not only recognizes her leadership and innovative capabilities but also demonstrates our commitment to providing employees with expansive career development platforms.

Case of Promotion of Professional Talents

The Senior BP Manager of Luyuan's Marketing Division was promoted from his previous role as Senior BP Manager in the Product Center. Facing significant workforce restructuring during organizational transformation, he tackled challenges head-on by swiftly completing team reorganization, role definition, and performance goal setting, laying a solid foundation for the 2025 business launch. His promotion reflects the Company's emphasis on professional competence and accountability, while demonstrating agile adaptability during organizational change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Staff Training

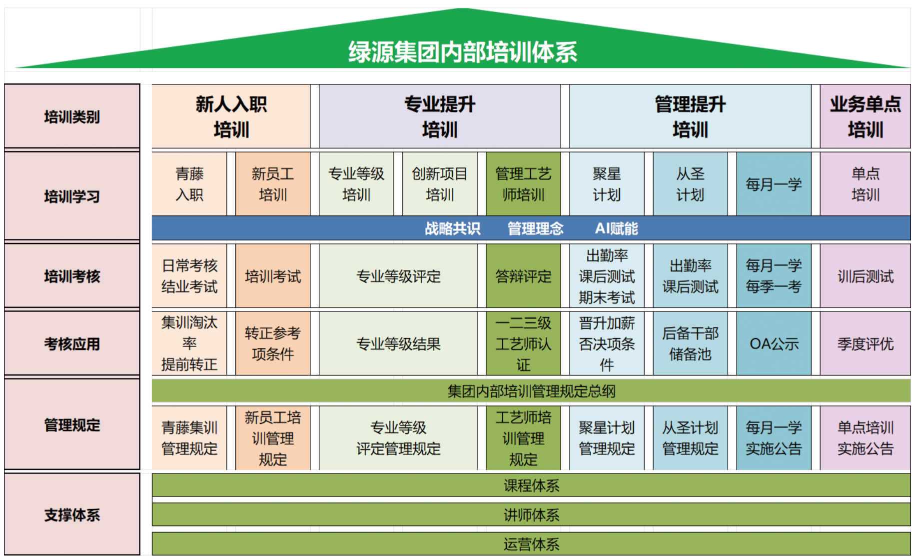
Total investments in the 2024 training program
approximately RMB750,000

External training programs in 2024
over 19 programs

Total training hours
41,660.37 hours

Total number of employees
7,153 employee

Luyuan Group has innovatively established Luyuan University as a core training platform, and developed a comprehensive and systematic training program that covers corporate culture, professional skills, occupational health and safety, environmental protection, etc. Tailored course systems are designed according to the characteristics of different departments, with training frequencies scheduled monthly, quarterly, and annually. Currently, all training initiatives under Luyuan University are progressing systematically and have demonstrated significant results.



Training Programs Provided by Luyuan University

Training program	Number of participants (persons)	Satisfaction rate
Juxing Program	163	96.40%
Craftsman Training	25	91.70%
Learning Month	1,546	94.50%
Professional Rating	976	90.60%
Training	91	93.10%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group formulates its annual training program every year to implement its talent development strategy in a coordinated manner. Training channels include various forms such as online external training, offline external training, internal training, and study exchanges. The training content covers multiple fields including environmental protection, professional technology, occupational health and safety, and differentiated course systems are designed according to the characteristics of each department, with training frequencies arranged at multiple levels such as monthly, quarterly, and annual. Among them, external training serves as the main channel, aiming to promote communication and learning among internal employees by introducing external perspectives. The Group has established the "External Training Management Regulations", which clearly require frontline employees, middle managers, and senior leaders to complete the required external training hours each year to ensure that personnel at all levels continuously update their knowledge reserves, enhance professional skills, improve overall team quality, and effectively respond to changes in the market environment and business development needs.

In terms of training resource development, the Human Resources Department continuously expands the network of high-quality third-party training institutions through methods such as industry forum information collection and on-site inspections. During the institution selection process, we have established a strict evaluation mechanism, including peer research, institution qualification reviews, and successful case assessments, to ensure that training institutions have the capability to provide high-quality services to the Group. At the same time, we have established a training effectiveness evaluation and tracking mechanism to monitor training quality throughout the process, providing data support for the continuous optimization of the training system. These measures strongly guarantee the professionalism and effectiveness of the Group's talent development work, laying a talent foundation for the sustainable development of the enterprise.

In order to improve training participation and convenience, the Group has developed an online learning platform that supports employees in self-directed learning anytime and anywhere. This platform not only integrates the Group's internal training resources but also introduces diversified external courses covering multiple dimensions such as professional skill enhancement and personal development, fully meeting the differentiated learning needs of employees. Employees can independently select courses based on their personal career development plans to achieve continuous improvement in knowledge reserves and competency levels.

Long-term Incentives and Performance Management

Luyuan Group implements an equity incentive plan, comprehensively considering job category, job level, performance, contribution, and individual value to determine incentive recipients. Each year, the Incentive Working Group calculates individual grant amounts based on the Company's annual incentive plan, with final confirmation by management, adopting an annual rolling grant method.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All departments formulate their own performance management implementation measures by referring to the "Performance Management Regulations of the Group", and may conduct employee performance evaluations on a monthly, quarterly, or semi-annual basis. The HR Department of the Group is responsible for the performance evaluations of mid-to-senior managers and heads of first-level departments in accordance with the skip-level approval principle. In June and December of each year, centralized performance evaluations are conducted for all employees using a four-level evaluation mechanism. We have successfully completed this year's performance evaluations for all departments and will use the results as the basis for distributing year-end bonuses effectively motivate employees to improve work performance.

CEO's Philosophy on Training

Key points	Content
Compete with experts to rapidly elevate standards	The CEO emphasizes the need to pursue state-of-the-art results and outstanding talent in all business areas. Through exchanges and interactions with experts, the team can quickly make up for its professional shortcomings, improve its overall capabilities and standards, and help the Group seize opportunities in a complex and ever-changing market environment.
Leverage external expertise while emphasizing first principles	The CEO pointed out that a solid foundation of knowledge is the basis for exploring the "first principles". In terms of "borrowing external forces", we encourage the use of external resources to delve deeper into the essence of the problem, provide innovative ideas for solving practical problems, and promote continuous business optimization.
The critical importance of AI training	Facing the challenges and opportunities brought about by AI technology, the CEO clearly stated that learning AI and embracing AI is the shortcut to employee growth. Employees who cannot effectively use AI will face the risk of being eliminated. Therefore, it has become an inevitable requirement for all employees to actively learn and adapt to AI technology in order to keep up with the trends of the times and enhance the Group's competitiveness in the digital era.
Upgrading thought paradigms	During the cultural and thinking discussion, the CEO proposed that the new strategic stage requires a restructuring of employees' thinking patterns, a shift from emotional thinking to rational thinking, an emphasis on logical thinking and cause and effect relationships, and the abandonment of the concept of simply listing work items as achievements, so that employees can work in a more scientific and efficient way of thinking.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The CEO of the Group emphasized that "professionalism and professional competence" are the core elements supporting business development. The Group expects to comprehensively enhance employees' professional capabilities through training, thereby laying a solid foundation for sustainable corporate growth. Guided by the philosophy that "science is like firewood, human insight is like fire", training programs not only impart scientific knowledge such as technical skills and processes, but also focus on cultivating employees' ability to understand and manage customer psychology and emotions. This achieves organic integration of scientific knowledge and humanistic management, driving holistic corporate development. Given the significant challenges posed by the rapid advancement of artificial intelligence technology, the Group aims to equip employees with proficiency in intelligent tools through training, encouraging active adoption of AI technologies to support steady progress in the Group's digital transformation. Furthermore, the Group intends to implement practical, hands-on training programs to enable employees to quickly adapt to high-standard, demanding work scenarios and effectively solve real-world problems, thereby enhancing their responsiveness and execution efficiency in complex work environments.

The CEO personally drives the implementation of training programs through writing weekly journals and conducting all-staff training sessions at strategic consensus meetings. Luyuan University transforms the content from these weekly journals and strategic meetings into online courses for all management personnel, requiring them to complete examinations to ensure effective knowledge transfer and absorption. Additionally, committee members actively participated in training initiatives such as the "Juxing Program" or "Cengsheng Program" by serving as instructors, delivering lectures, and sharing experiences. Their involvement has received widespread acclaim from participants, providing strong support for the high-quality execution of these training programs.

Indicator		Unit	2024	2023
Total number of employees trained[3]		person	**3,315**	2,587
Percentage of employees trained by gender[4]	Male	%	**107.77%**	88.7%
	Female	%	**106.89%**	88.7%
Percentage of employees trained by employment categories	Senior management	%	**100.00%**	150.0%
	Middle management	%	**91.52%**	122.7%
	Professional position	%	**111.44%**	83.8%
	General personnel	%	**107.88%**	87.3%
Average total training hours		hour	**21.49**	20.15
Average number of training hours per employee by gender	Male	hour	**24.92**	22.17
	Female	hour	**19.76**	16.39
Average number of training hours per employee by employment category[4]	Senior management	hour	**99.00**	107.67
	Middle management	hour	**59.18**	60.80
	Professional position	hour	**43.03**	25.71
	General employees	hour	**17.35**	16.18

3 Trainees include terminated employees who left the Company during the Reporting Period.

4 The proportion of trained employees in each category is calculated by dividing the number of trained employees in that specific category by the total number of employees as at December 31 of the Reporting Period, multiplied by 100%. Therefore, the training participation rate may exceed 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.4 Community Responsibility and Contribution

We firmly believe that the development of the Group relies on the resources and support of various sectors of society. Therefore, we actively participate in community welfare activities, hoping to contribute to social welfare. We keenly observe the needs of the local community where we operate and support various forms of social welfare activities such as education and charity, while also actively organising employees to participate in public welfare activities, cultivating their enthusiasm for public welfare and willingness to contribute through volunteer services. During the Reporting Period, the Group mainly used its community investment resources on caring for children and charitable donations.

Donation of RMB300,000 to Support the Educational Development of Underprivileged Students

In order to fulfill the corporate social responsibility and support educational fairness, Luyuan Electric Vehicle (Shandong) Co., Ltd., a wholly-owned subsidiary of the Company, donated RMB300,000 to Wucheng District, Jindong District and the Development Zone during the Reporting Period, which was used specifically to provide financial assistance to students in need in the three districts. The donation aims to help students from economically disadvantaged families reduce their academic burden, ensure that they have equal access to education, and support their healthy growth and future development.

New Year's Greetings Event Titled "Care for the Elderly, Help with Love"

On February 1, 2024, Luyuan Electric Vehicle (Shandong) Co., Ltd. actively responded to the rural revitalization initiative by organizing a Spring Festival visit and greeting activity in the assisted village, bringing warmth and care to elderly Party members and underprivileged residents. Wang Juan, Secretary of the Company's Party branch, Wang Chengbin, Chairman of the trade union of the Company ("**Trade Union**"), Xu Shouhong, Vice-Chairman of the Trade Union, and employee representatives, along with members of the two committees of Nanshindun Village, participated in the event together.

During the event, the visiting team first visited the families of elderly Party members to learn about their living conditions and health status in detail, and extended sincere holiday greetings. Subsequently, the team visited underprivileged households, and delivered daily necessities such as rice, flour, and cooking oil, along with RMB10,000 in greeting funds. They engaged in in-depth conversations to understand practical needs and difficulties, and encouraged them to remain confident and face their challenges positively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This greeting activity represented an important initiative by the Company to fulfill its social responsibilities and give back to the community. It not only provided tangible assistance and warmth to elderly Party members and underprivileged residents but also strengthened employees' sense of social responsibility and spirit of dedication, demonstrating the Company's commitment to caring for society and promoting common prosperity. In the future, the Company will continue to deepen its philanthropic practices and contribute to sustainable community development.

6. ENVIRONMENTAL

Luyuan Group, as an electric vehicle enterprise, has always deeply integrated the concept of sustainable development into the Company's strategy and daily operations. We systematically optimize resource utilization efficiency, comprehensively promote the circular economy model, and minimize the impact of production and operational activities on the environment and communities, contributing to the achievement of sustainable development goals.

In balancing environmental protection and business development, the Group has established a sound management system and strictly implemented various environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and the Measures for the Management of Hazardous Waste Transfer manifests. During the Reporting Period, the Group did not experience any major environmental violations, and its environmental protection efforts maintained compliant operational status.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Corresponding UNSDG:

6.1 Energy-saving and Emission Reduction Measures

Green Plants

In green factory management, we have significantly improved energy efficiency and reduced greenhouse gas emissions by introducing advanced energy-saving technologies and equipment. In key areas of energy management and greenhouse gas reduction, we have implemented a series of scientific and effective strategies for core equipment such as indoor delivery robots, conveyor belts, and electric transport vehicles, achieving remarkable phased results.

Indoor delivery robots adopt electric drive systems combined with path-planning algorithms to optimize travel routes and reduce energy consumption. Equipped with high-efficiency batteries and energy recovery systems, they enhance energy utilization rates.

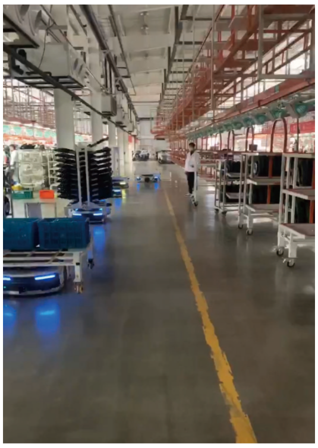
Conveyor belts utilize high-efficiency motors and frequency converters to dynamically adjust speed based on load conditions. By employing low-friction materials and optimized structural designs, energy loss is minimized, while regular maintenance ensures system efficiency.

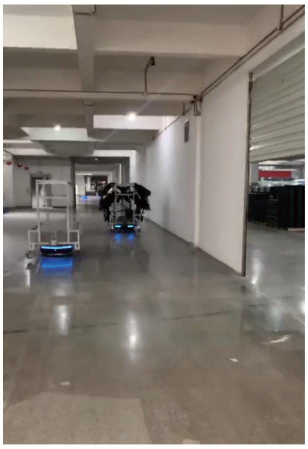
Electric transport vehicles are powered by electricity and equipped with high-efficiency motors paired with energy recovery systems that reclaim energy during braking or downhill travel. Big data and intelligent algorithms optimize driving routes and load management to reduce operational energy consumption.

Actual monitoring and data analysis have shown significant energy savings. The relevant energy consumption comparisons are as follows:

Type of equipment	Comparison device	Reduction in energy consumption (delivery robot/ transport tram compared to comparable devices)
Indoor delivery robot	Forklift	2%
Electric tram for transportation	Diesel car	25%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





Energy-saving and Emission Reduction Initiatives

The Group has vigorously promoted photovoltaic power generation projects, making full use of factory roof space to construct PV facilities, significantly reducing purchased electricity. Among these, the PV project in East China saves 4.06 million kWh of grid electricity annually; the Phase I PV project in South China saves 10.162 million kWh annually, while the Phase II project is expected to generate 7 million kWh yearly. Additionally, standalone solar streetlights have been widely installed across factory premises, further decreasing reliance on traditional energy sources.

For public area lighting, the Group has comprehensively adopted energy-saving technologies, utilizing motion-sensor lights, LED fixtures, and compact fluorescent lamps to achieve high-efficiency illumination in stairwells, corridors, and underground parking areas. Factory lighting employs high-efficiency products (e.g., T5 fluorescent lamps) with Grade 2 energy efficiency ratings, paired with premium electronic ballasts.

The Group continues to optimize painting processes: plastic part coating has shifted from three-coat to two-coat systems (5% efficiency gain), while metal part coating adopted double-hook hangers (38% efficiency improvement and 20% energy reduction). Regular maintenance of steam pipeline insulation minimizes thermal loss and enhances energy utilization.

In facility construction, regional climate characteristics inform optimized building forms, orientations, and window-to-wall ratios to maximize natural ventilation and day-lighting, reducing HVAC and lighting loads. High-efficiency equipment (transformers, HVAC systems, ventilators, air compressors) is prioritized, with National Energy Efficiency Grade 1 serving as a key procurement criterion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

An intelligent electricity monitoring system has been enhanced to enable real-time tracking and energy analysis across daily, monthly, and annual cycles. Smart meters are installed for all production zones and major equipment, with departmental accountability and monthly energy audits integrated into KPI assessments.

Vehicle management prioritizes NEVs over conventional fuel vehicles. Since 2020, the Group has ceased fuel vehicle purchases, progressively replacing retired units with NEVs. South China's fuel-powered service vehicles were reduced from six to four. Carpooling and public transit are encouraged, with standardized fleet management protocols minimizing long-distance trips. All vehicles undergo scheduled maintenance using clean gasoline to ensure emission compliance.

Production equipment and processes have been upgraded to simultaneously boost productivity and reduce energy consumption. Natural lighting is maximized through optimized wall/roof transparency ratios, while LED retrofits have been completed in material loading/unloading zones, finished product channels, and loading docks. Public area lighting employs zoned controls, timed switches, motion sensors, and solar fixtures to achieve dual energy-saving and illumination objectives.

All production bases now feature advanced PV installations, including rooftop solar panels and standalone solar streetlights, substantially cutting traditional energy dependence and advancing environmental goals.

Through these multifaceted efforts, the Group has achieved remarkable progress in energy conservation and emission reduction, laying a solid foundation for green, low-carbon development. Moving forward, the Group will deepen these initiatives to fully implement its sustainable development strategy.

PV panel electricity generation in 2024:
10,113 MWh

Electricity delivered to the state grid by our PV panel:
4,436 MWh

Carbon emissions reduction:
Approximately 5,426.64 tonnes of carbon dioxide equivalent

Accumulated revenue:
RMB 2,260,000

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Management

The Group attaches great importance to the efficient use and conservation of energy, and has formulated and implemented a number of management systems and measures to ensure the standardization and efficiency of the energy management system.

The Group has established the "Energy Management Regulations", the "Regulations on the Provision and Management of Energy Measurement Instruments", and the "Regulations on Self-inspection and Improvement of Energy Measurement" in accordance with the "Requirements for Energy Management Systems (GB/T23331-2012)" and the "General Rules for the Provision and Management of Energy Measurement Instruments for Energy-using Units (GB 17167-2016)". These regulations clearly define the responsibilities of each department in energy management, standardise the procedures for measurement inspection and assessment, and provide detailed provisions for the provision and management of measurement instruments. At the same time, the Group has established a three-level energy measurement and management system to ensure compliance and systematic energy management.

To strengthen the organisation and coordination of energy management, the Group has established an Energy Management Leadership Team, chaired by the general manager, who is responsible for energy management decision-making. The leadership team collaborates closely with other departments to coordinate and manage daily affairs. Each department and workshop has a part-time energy manager responsible for monitoring and inspecting the energy use of their department, identifying and resolving problems in a timely manner, and ensuring continuous improvement in energy efficiency.

The Group has formulated objectives and plans for raw material conservation, planned, statistically recorded and accounted for raw material consumption, and implemented performance assessments for conservation. At the same time, the temperature standards for air conditioning use are clearly defined at 26 degrees in summer and 20 degrees in winter to further reduce energy consumption.

The Group is always committed to promoting the innovative optimization of the painting process and actively practicing the concept of green production. In terms of painting plastic parts, the "three coats to two coats" process has been implemented, and this change has been highly effective, increasing production efficiency by 5%. In the ironware painting process, the innovation of the single hook hanger to a double hook hanger has resulted in a significant 38% increase in efficiency, while reducing energy consumption by up to 20%.

In addition, the Group pays attention to the details of energy management in the production process. It regularly maintains the insulation layer of the steam pipes to effectively reduce heat loss and further improve energy efficiency. The application of these innovative green technologies not only improves production efficiency, but also makes a positive contribution to environmental protection, demonstrating its firm determination and practical actions on the road to sustainable development.

To ensure the effective implementation of energy-saving management measures, the Group has established a multi-level inspection mechanism:

Inspection frequency	Focus of inspection	Particulars
Daily inspection	Proper and safe power utilization	– Check the safe use of electricity in all departments – Check the rational use of electricity – Focus on checking the power-off and power-cut of office and production equipment at night
Weekly inspection	Equipment operating conditions, prevention of dripping, electrical safety	– Check the operating condition of equipment – Prevent dripping of water, gas, oil and other resources – Check electrical safety
Monthly inspection	Comprehensive troubleshooting (leaks in water and gas pipelines, balancing of power use between peak and off-peak periods)	– Check the water and gas pipelines for leaks – Check the balance of power consumption during peak and off-peak hours – Organize a comprehensive investigation by the Safety and Environmental Protection Department

The Group organises at least one large-scale energy measurement self-inspection activity annually to assess the effectiveness of energy management. The self-inspection includes:

- Familiarity of the measurement managers of each department to the energy measurement work;
- Implementation of energy conservation targets;
- Checking the energy consumption of each piece of production equipment and identifying equipment optimization needs;
- The sealing and periodic verification of measuring instruments to ensure their accuracy and reliability.

The Group will impose fines on instances where regulations are not followed, resulting in significant waste of water and electricity, to strengthen the binding force of energy management. This serves as a reminder for employees and managers to strictly comply with Energy Management Regulations and collectively safeguard the Company's energy interests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's quality management system has passed ISO 14001 environmental management system certification. This certification not only reflects the Group's efforts and achievements in environmental management but also provides strong support for further advancing energy management work.

Indicator[5]	Unit	2024	2023
Greenhouse gas[6]			
Total emission	tCO_2-e	**20,366.21**	18,079.90
– Direct emission (Scope 1)	tCO_2-e	**3,612.86**	3,894.10
– less greenhouse gas	tCO_2-e	**6.83**	new item for 2024
– Indirect emission (Scope 2)	tCO_2-e	**15,548.92**	14,081.10
– Indirect emission (Scope 3)[7]	tCO_2-e	**1,211.26**	104.80
– Type 6: business travel	tCO_2-e	**144.36**	104.80
– Type 5: waste generated in the operations	tCO_2-e	**1,066.90**	New item for 2024
Emission intensity	tCO_2-e/RMB million	**4.02**	3.60
Energy			
Total consumption	MWh	**56,540.27**	51,603.00[8]
Purchased electricity	MWh	**28,976.74**	24,690.70
Photovoltaic power generation	MWh	**10,113**	8,129[8]
Natural gas	million cubic meters	**153.20**	156.90
Petrol	L	**80,039.70**	187,893.90
Diesel	L	**15,965.80**	12,684.90
Total energy intensity	MWh/RMB million	**11.15**	10.15[8]

5 Data is calculated using rounding methods, so there may be deviation in the total number.

6 The calculation method of greenhouse gas emissions is reference to the "Guide to Greenhouse Gas Accounting and Reporting for Land Transportation Companies (Trial)" and the Stock Exchange's "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

7 Scope 3 emissions include business travel data. The CO2 emission for air travel is calculated with reference to International Civil Aviation Organization (ICAO) data.

8 The calculation methodology for photovoltaic power generation has been revised in 2024, requiring adjustment of photovoltaic power generation, total energy consumption, and total energy intensity for 2023.

6.2 Resource Management

Water Resource Management

The Group has always maintained a profound understanding of the finite and precious nature of water resources, unwaveringly implementing water conservation principles and continuously advancing a series of practical and effective measures. The Company's water usage is primarily concentrated in the plastic parts coating process. We have consistently improved water resource utilization efficiency through the implementation of closed-loop water management systems. Wash water is collected uniformly for treatment by water purification equipment after multiple cycles of reuse, achieving effective wastewater reuse. By installing water purification equipment, the wastewater that was originally directly discharged to sewage treatment plants has been recycled and reused. The purified wastewater is used for washing processes or irrigation of base plants, expanding the usage of water resources and significantly reducing the consumption of fresh water.

In 2024, we achieved even more significant results in water conservation. In East China, a major breakthrough has been made in the recycling of coating wastewater, with an annual water savings of up to 3,060 m^3, further demonstrating the effectiveness and potential of our water conservation measures. At the same time, we continue to deepen the water conservation transformation of water-using equipment. Water-saving flushing devices are used in all toilets, and water-saving switches (such as float balls and liquid level sensors) have been installed on all water-using equipment. Sensor switches in the toilets have also been fully covered to ensure that water resources are accurately and reasonably controlled during use.

To optimise water usage management, we have further improved the water supply network and installed smart water meters in various areas to promptly detect and reduce waste and leakage, achieving refined water management. Water-saving measures are also being continuously strengthened in other factory facilities. Measures such as installing water-saving switches on all water-using equipment have effectively reduced water waste.

In terms of water conservation awareness and promotion, in 2024 the Group installed water-saving signage across all areas and displayed environmental protection and energy-saving banners during the annual Environmental Awareness Month to continuously enhance employees' water conservation awareness and foster a positive atmosphere of water conservation among all staff. Through the persistent implementation and deepening of these measures, the Company has achieved remarkable results in water resource conservation, making solid contributions to sustainable development.

Indicator	**Unit**	**2024**	2023
Total water consumption	m^3	**416,820.80**	311,607.00
Water resources consumption intensity	m^3/RMB million	**82.18**	61.30

Packaging Material Management

In Luyuan Group's resource management strategy, packaging conservation initiatives serve as crucial measures for promoting sustainable development. All production bases actively implement green operation concepts through a series of innovative measures that simultaneously reduce packaging costs and significantly minimize the environmental impact of packaging waste.

The Group has implemented multiple innovative optimization measures for packaging of aftermarket parts, raw materials, and various components. For aftermarket components, materials like alarms and brake shoes have transitioned from traditional paper boxes to plastic strap packaging, dramatically reducing packaging material consumption. In raw material distribution, precision components now utilize reusable metal frames and specialized carts instead of disposable bags, effectively preventing resource waste and environmental pollution from single-use packaging. Products including saddles, displays, and wheels employ specialized material containers, foldable corrugated plastic boxes, and recyclable plastic panels, thereby ensuring safe transportation while enabling multiple cycles of packaging material reuse.

Additionally, for paper boxes and wood scraps used as raw material accessories, we work with property management companies to classify and recycle them. Simultaneously, we collaborate with supporting manufacturers to promote the use of turnover-circulating material boxes and tray packaging instead of traditional paper box packaging, effectively reducing the generation of packaging materials. Through these measures, we strive to minimise the environmental impact of non-hazardous waste.

Indicator	Unit	2024	2023
Packaging material consumption	tonnes	**3,582.24**	4,919.50[9]
Packaging material consumption intensity	tonnes/RMB million	**0.71**	0.97

6.3 Environmental Assessment

The Group has always been steadfast in taking the protection of the ecological environment as its core mission. In all expansion or new construction projects, it strictly adheres to the "Environmental Impact Assessment Law Of The People's Republic Of China," the "Wildlife Protection Law of the People's Republic of China," the "Marine Environmental Protection Law of the People's Republic of China," and the "Law of the People's Republic of China on Noise Pollution Prevention and Control," as well as other relevant laws and regulations, striving to minimize the environmental impact of its projects. During the Reporting Period, the Company engaged professional third-party institutions to conduct comprehensive and in-depth environmental impact assessments for its e-bike and component manufacturing projects. These evaluations precisely identified potential environmental risks associated with the projects, enabling the establishment of scientifically sound pollutant control parameter ranges. This ensures full compliance with environmental protection requirements throughout the entire project lifecycle.

9 The calculation methodology for packaging material consumption has been revised in 2024, requiring adjustment of 2023 data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

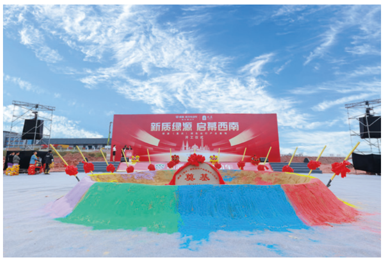
In addition, the Group continues to strengthen the regular identification of environmental factors and hazards in the base, offices, and workshops. The Group conducted a systematic review of products, processes, activities, and services across all departments and locations, thoroughly investigating potential environmental impacts at each operational stage. This comprehensive analysis evaluated the significance, temporal aspects, and current status of identified environmental factors. Based on these findings, we promptly developed and implemented targeted mitigation measures to ensure precise and effective environmental protection implementation.

In 2024, the Company further strengthened its environmental monitoring and compliance management. We consistently conducted regular environmental testing, including environmental impact assessment acceptance reports and periodic environmental monitoring reports, to ensure the timeliness and accuracy of environmental data, thereby providing solid data support for environmental decision-making. Meanwhile, the "Emergency Response Plan for Environmental Incidents" was continuously optimized and effectively implemented to guarantee swift response capabilities when addressing unexpected environmental events, keeping environmental risks within acceptable limits.

The Group has achieved remarkable results in green factory construction. On the basis of being awarded the title of Guangxi Autonomous Region Green Factory in August 2023, the Guangxi base further consolidated and improved its green development level in 2024, continuously optimized production processes and reduced resource consumption. In 2024, the East China base not only successfully passed the national green factory audit, but also completed the clean production audit, setting a new benchmark in the field of green manufacturing and sustainable development. Through these efforts, we have made significant progress in environmental assessment and protection, contributing positive strength to promote the green development of the industry.

In 2024, Luyuan Group held the groundbreaking ceremony for its Chongqing factory, which is constructed in accordance with the "Made in China 2025" standards, fully absorbing the experience of Luyuan's national intelligent manufacturing bases, driven by high-end, green and intelligent development as the core, and combining new technologies such as big data and Internet of Things to create a "smart manufacturing demonstration factory".

Chongqing Base Groundbreaking Ceremony: A grand groundbreaking ceremony was held on-site, where participants jointly inaugurated the Chongqing base, marking the official launch of the new project. The event was attended by 303 personnel.



6.4 Waste Water, Air Pollution, and Solid Waste Management

The Group aims to achieve a "Zero-waste Factory" and is continuously committed to reducing the generation of wastewater, air pollution, and solid waste (the "Three Wastes"). The Group has formulated a series of rules and regulations such as the "Three Waste Management Regulations", the "Exhaust Gas Treatment Procedures", the "Wastewater and Waste Gas Management" and the "Hazardous Waste Disposal Procedures" to strictly monitor and regulate the emission procedures of the three wastes, aiming to minimize environmental damage and pollution while ensuring the health and safety of employees and the public.

Air Pollution Management

Our primary exhaust gas emissions originate from production processes including coating paint mist, baking tunnel fumes, and soldering smoke. During the Reporting Period, all exhaust gases generated in production were strictly treated according to prescribed emission control procedures. Welding fume interception and collection were rigorously implemented in compliance with welding fume treatment protocols to ensure standard-compliant emissions. All process emissions must undergo dedicated exhaust treatment procedures, with every department required to strictly adhere to these protocols, guaranteeing that exhaust gases meet emission standards before being released into the atmosphere.

The Company continues to utilize an intelligent monitoring system to monitor air pollution emission data in real-time, ensuring that key indicators such as VOC comply with the "Standards of air pollutant discharge in industrial coating process" (DB33/2146–2018) and the "Emission Standard of Atmospheric Pollution of Industrial Furnace" (GB9078–1996). In accordance with the TPM (Total Productive Maintenance) regulations for environmental protection equipment, the Group conducts regular inspections and maintenance of exhaust gas treatment systems. This includes comprehensive monitoring of equipment vibration, acoustic signals, temperature profiles, odor detection, connection integrity, lubrication status, sealing performance, corrosion conditions, and instrument parameters to ensure optimal operational conditions. When non-compliance is detected, relevant departments must immediately identify root causes and implement corrective actions for processes or equipment, guaranteeing both the effectiveness of exhaust treatment and regulatory compliance. After completion of the corrective actions, the air pollution will be re-treated until it meets emission standards. Additionally, we actively promote the use of water-based paints as a substitute for oil-based paints to reduce the generation and emission of organic air pollution. Continuous upgrading and optimization of the exhaust gas treatment equipment has significantly reduced the total emission of non-methane total hydrocarbons, which has effectively improved air quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastewater Management

Wastewater mainly originates from domestic sewage and production wastewater. In 2024, the sewage generated during the production process was strictly handled in accordance with the "Wastewater and Waste Gas Management" and the sewage treatment process. After treatment, it not only met the discharge standards, but was also partially recycled. Strict pretreatment measures continued to be taken for production wastewater. First, it underwent sedimentation treatment in an oil trap to remove grease and suspended matter, and then it entered a sewage treatment station for advanced treatment. Domestic sewage is treated through septic tanks to minimise direct environmental impact. Sewage treatment operators are responsible for daily monitoring and inspection to ensure the normal operation of equipment, and detailed records are maintained for verification purposes. At the same time, real-time monitoring of key data such as wastewater pH, ammonia nitrogen, and chemical oxygen demand at each discharge point is conducted to ensure compliance with the requirements of the "Integrated Wastewater Discharge Standards" (GB8978–1996) and the "Emission standard of nitrogen and phosphorus for indirect industrial wastewater discharge" (DB33/887–2013). If any instances of wastewater exceeding standards are detected, the relevant departments will make necessary adjustments and optimisations to the processes or equipment. After completion of corrective actions, the wastewater will re-enter the treatment process until it fully complies with emission standards.

Hazardous Waste Management

The hazardous waste generated by the Group mainly includes paint residues, sludge, waste packaging barrels, waste activated carbon, and waste activated carbon fibres. To ensure safe handling, all hazardous waste must be collected in dedicated containers for recycling and temporarily stored in hazardous waste storage areas. We strictly adhere to the "Standard for Pollution Control on Hazardous Waste Storage" (GB18597–2023), categorising various hazardous solid wastes and posting labels containing information such as waste name, code, hazard level, emergency measures, quantity, and date.

In 2024, the Group continued to strengthen hazardous waste management. The disposal records of hazardous solid waste from 2022 to 2024 were all declared in the national system, with the complete lifecycle information of hazardous waste from generation to disposal being meticulously documented through the "Solid Waste Ledger and Manifest System". The Group entered into disposal agreements with qualified hazardous waste treatment enterprises to ensure compliant disposal. We established a hazardous waste management ledger to record in detail the warehousing, outbound and treatment of waste, with clear management of the quantities at each step to ensure the completeness of ledger records and standardization of archiving. The hazardous waste treatment units shall maintain ledger records for over 10 years to enable traceability and verification at any time.

When the storage volume reaches a certain level, our hazardous waste specialists promptly report and engage qualified third parties for treatment. Throughout the process, an online monitoring system is installed for scientific full-process control. By leveraging data and video surveillance, the standardisation of waste generation, storage and transportation, and transfer and treatment processes is monitored. Detailed reviews are conducted for precise management, aiming to reduce and control the generation of waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To minimise the generation of hazardous waste, we have made significant improvements in the painting process. The original spray and activated carbon treatment processes have been upgraded to water spray, dry filtration, zeolite rotary, and regenerative incinerator (RTO) processes. This transformation not only reduces the procurement and disposal volume of activated carbon but also significantly decreases the disposal volume of paint residues. Additionally, we actively sought non-hazardous alternatives, such as replacing solvent-based alkyd resins containing toxic and harmful raw materials with water-based alkyd resins in the coating process, thereby reducing the use of hazardous substances. These measures collectively contribute to achieving our environmental protection goals and minimizing the environmental impact of hazardous waste.

Non-hazardous Waste Management

Our primary non-hazardous waste consists of general domestic waste and material packaging bags. To ensure proper disposal, we have implemented a classified recycling system. After being sorted and collected by various departments, domestic waste and packaging materials are temporarily stored at designated waste transfer stations before being sold to specialized recycling units for comprehensive utilization or collected by municipal sanitation departments for centralized disposal. General solid waste is handed over to the sanitation department for disposal in accordance with the "Three Wastes Management System and Process", which is based on the "Environmental Protection Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes".

In 2024, we continued to strictly adhere to the principle of hierarchical reduction in the management of non-hazardous waste, aiming to minimise waste generation at the source, followed by utilisation, recycling, and reprocessing of waste, with disposal as the last resort. On the one hand, we continued to implement the separate treatment of household waste and actively encourage employees to separate and treat household waste. On the other hand, for waste that we cannot recycle ourselves, such as the scrap iron from the frame department, we handed it over to a professional unit for disposal.

In terms of internal management measures, we have further strengthened internal management processes. By strictly controlling product quality, we have reduced defective product rates and improved component utilization, with recyclables being sold to recycling units. Meanwhile, we have rigorously implemented an old-for-new replacement system for PPE and office consumables while standardizing requisition procedures. We continue to promote e-office and paperless initiatives, advancing the secondary use of office paper. Through process optimization, we have effectively reduced the generation of production-related solid waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recycling Bin Facilities in Factories

These measures have significantly improved resource utilization rates, markedly decreased packaging waste generation, substantially alleviated environmental pressure, and strongly propelled the Group's green operations. Looking ahead, Luyuan Group plans to continuously expand the depth and breadth of packaging conservation initiatives. On one front, we will explore more environmentally friendly and efficient packaging solutions for areas like motor delivery. On another, we will actively collaborate with suppliers to comprehensively promote reusable tooling packaging based on product specifications, further consolidating achievements in packaging management and making unremitting efforts toward achieving sustainable development goals.

Indicator	Unit	2024	2023
Air pollution emissions[10]			
Nitrogen oxides	kg	**3,417.86**	3,709.00
Sulphur oxides	kg	**843.79**	865.80
Particulate matter	kg	**344.36**	368.00
Wastewater discharge			
Total wastewater Discharge	tonnes	**58,295.14**	58,992.00
– Industrial wastewater COD emissions	tonnes	**4.66**	New item for 2024
– Industrial wastewater ammonia nitrogen emissions	tonnes	**0.22**	New item for 2024

10 Air pollution emissions originate from vehicle exhaust emissions and natural gas combustion during production processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Unit	2024	2023
Waste			
Total hazardous waste generation[11]	tonnes	**1.10**	1.3[13]
Hazardous waste generation intensity	kg/RMB million	**0.22**	0.25[13]
Total non-hazardous waste generation[12]	tonnes	**803.63**	851.25[13]
Total non-hazardous waste recycling volume[14]	tonnes	**1.94**	5.20
Non-hazardous waste generation intensity	kg/RMB million	**158.45**	167.47[13]

6.5 Response to Climate Change

Facing increasingly severe climate challenges, the Group fully recognizes their significant impact on business development. We consistently integrate carbon neutrality concepts into product innovation and strategic decision-making. By effectively managing physical and transitional risks brought by climate change, we develop tailored strategies aligned with industry characteristics to continuously enhance our comprehensive capabilities in addressing climate change. To ensure thorough identification and effective management of climate-related risks and opportunities, we strictly adhere to the Task Force on Climate-related Financial Disclosures (TCFD) framework and the Hong Kong Stock Exchange's new climate disclosure requirements to systematically disclose our climate action progress.

Climate Strategy

We have identified two physical risks, three transitional risks and one transitional opportunity, and assessed their financial impacts on the Company across three time dimensions: short-term (within 3 years), medium-term (3-6 years) and long-term (beyond 6 years). This year, we further optimized our response measures to various climate risks to enhance our resilience against extreme weather events and long-term climate change. The table below summarizes the climate-related risks and opportunities faced by the Group, along with actions taken this year.

11 Hazardous waste includes waste batteries, discarded ink cartridges, discarded toner cartridges, discarded components, and discarded electrical appliances.

12 Non-hazardous waste includes discarded paper, household garbage, and discarded plastics.

13 Adjustment of total non-hazardous waste and hazardous waste generation and generation density of 2023 data due to update in the calculation methodologies.

14 The recycled non-hazardous waste includes recycled paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type	Risk	Description	Potential impact	Period of Influence	Our Action
Physical risk	Acute risk	Frequent occurrences of extreme weather events such as typhoons, heavy rain, and floods may impact the safety of company buildings and equipment, prolong employee commuting times, and have certain implications for employee safety and the normal operation of the enterprise.	Increase in operation cost Decrease in revenue	Short-term	In response to extreme weather events, we have developed the Four Preventive Measures (typhoon prevention, lightning protection, heatstroke prevention, and fire prevention) and regularly provide relevant safety training for employees to enhance their ability to cope with extreme weather events.
	Chronic risk	The persistent hot weather caused by global warming may increase the energy consumption of our cooling equipment, while also increasing the risk of heat stroke for employees working outdoors.	Increase in operation cost Decrease in revenue	Long-term	
Transitional risk	Policy and regulatory risk	The increasing and enhancing of international and domestic climate change-related policies may lead to the Company incurring additional costs to ensure compliance.	Increase in compliance costs	Short- to medium-term	We regularly monitor the development trends of laws and regulations to ensure compliance in our operations.
	Technology risk	The transition to a low-carbon economy typically requires significant investments in research and development to develop new technologies and innovative solutions. The Group's efforts in technology development and investment may not yield the expected results, necessitating the allocation of substantial resources to R&D, focusing on the development of electric motorcycles or other low-carbon propulsion systems.	Increase in research and development costs Increase in operation cost	Medium- to long-term	We will assess our existing technology portfolio and evaluate the potential gaps and opportunities for transitioning to a low-carbon economy. This assessment will help identify areas where increased innovation costs are needed and prioritise research and development investments accordingly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type	Risk	Description	Potential impact	Period of Influence	Our Action
	Market risk	Due to the highly concentrated and competitive nature of the mainland electric vehicle market, if competitors have stronger financial and R&D resources and can offer cleaner products at lower costs, our business performance and prospects may be adversely affected.	Increase in marketing expenses Decreases in revenue	Short- to medium-term	We closely follow industry trends and dedicate significant resources to research and development to increase the autonomy of our products, maintain our technological advantage, and continue driving technological development and innovation in the electric two-wheeled vehicle market.
Opportunities	Products	As the carbon neutrality strategy and green travel policies continue to be implemented around the world, the phasing out of traditional motorcycles will accelerate, and the demand for electric two-wheelers will continue to grow. Coupled with the national policy actively supporting the development of the new energy vehicle industry, it will help promote the production and development of electric vehicle products.	Increase in revenue	Medium-to long-term	Upholding the design and production concept of "a vehicle that can be ridden for ten years", we are committed to developing high-quality, durable, and high-performance electric two-wheeled vehicle products through research and development. We continue to invest in the core technology and applications of electric two-wheeled vehicles to improve our research and development capabilities and market competitiveness.

Climate Risk Management

In order to effectively safeguard employee safety and maintain plant stability, the Group has established a comprehensive and detailed prevention system focusing on four key protective measures, including typhoon prevention, lightning protection, heatstroke prevention, and fire prevention. Once the meteorological observatory issues extreme weather warnings such as typhoons or heavy rainfall, we will immediately initiate precautionary inspections. Meanwhile, to strengthen employees' safety awareness and emergency response capabilities, we conduct training programs covering the four protective measures, including typhoon and lightning prevention methods, heatstroke symptoms and first aid measures, as well as fundamental fire extinguishing and evacuation knowledge.

Furthermore, we have formulated and implemented the "Emergency Response Plan for Sudden Environmental Incidents", and ensured rapid response and scientific handling of potential environmental emergencies through a well-developed contingency system and standardized procedures, thereby effectively maintaining environmental risks under control and comprehensively protecting the safety of the plant and its surrounding environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Indicators and Targets

In support and implementation of the national "Dual Carbon Goals" policy, the Group has established quantitative targets this year. Through optimizing energy structures, improving resource utilization efficiency, and promoting green technology innovation, we aim to achieve the following greenhouse gas emission reduction intensity targets by 2030.

Target	Base year	Target in 2030
Greenhouse gas emission intensity of a single product (kg CO2 equivalent/vehicle)	2023	10% reduction

At the same time, we have also set annual qualitative goals related to environmental compliance and ecological protection, and will review the progress towards achieving these goals every year.

Target category	Description	Status in 2024
Emission management objective	Strict environmental management standards, with regular inspections and policy updates. We handle waste and small amounts of pollutants generated during production operations in a compliant and transparent manner, and strictly comply with national and local pollutant discharge standards.	The Group has not violated any serious laws or regulations regarding exhaust emissions, land sewage, or the generation of hazardous and non-hazardous waste.
Ecological resource management objectives	The Group actively fulfills its commitment to protect the environment and natural resources, responsibly using water and other natural resources to ensure that the impact on the environment is minimized in all business activities.	This year, we continued to monitor the effectiveness of resource management and strengthened employees' awareness of resource conservation through various advocacy channels.

In addition to setting climate-related targets, we also calculate and track various environmental indicators to comprehensively assess the Group's environmental impact and provide data support for future emission reduction strategies. Set out below are some of our key environmental performance indicators. For detailed indicator data, please refer to "5.1 Energy Conservation and Emission Reduction Measures".

6.6 Product Lifecycle Management

Luyuan Electric Vehicle has established a comprehensive lifecycle management system centered on systematic technological innovation and digital collaboration. This system deeply integrates environmental responsibility, social accountability, and sustainability principles across R&D, production, sales, and recycling processes, driving the formation of a closed-loop green mobility ecosystem.

Technology-Driven Lifecycle Management Framework

Six digital platforms for precise supply chain coordination and control:

- PLM (Product Lifecycle Management): Covering planning, design, certification, launch, and retirement, and ensuring dynamic alignment between technical standards and market demands

- SRM (Supplier Relationship Management): Optimizing supply chain resource integration, and accelerating component response efficiency

- MES (Manufacturing Execution System): Enabling real-time production monitoring and smart scheduling, and enhancing manufacturing precision and energy efficiency

- QMS (Quality Management System): Providing full-process quality traceability, and ensuring product reliability

- CRM (Customer Relationship Management): Leveraging market data for strategic optimization and precisely matching user needs

- NSS (Networked Satisfaction System): collecting user feedback for product iteration and forming a closed-loop "design-production-service-optimization" cycle

Core Technologies Empowering Green Value Enhancement

Liquid-Cooled Motor Technology: The technology reduces operating temperature by 30°C through insulated coolant, improves conversion efficiency to 90%, and indirectly reduces power consumption; extends motor lifespan to 10 years, lowering replacement frequency and e-waste generation; IP67-rated protection minimizes environmental erosion damage. Digital Battery Technology: High-precision sensors and algorithms optimize charging and discharging, delaying capacity degradation and reducing battery replacement and pollution risks; intelligent monitoring prevents overcharging and over-discharging, decreasing safety incidents and resource waste.

Smart Operating System (SOC) and Air-Cooled Controller: Dynamically allocates power to improve range efficiency and reduce ineffective energy consumption; automatically adjusts output power according to environmental conditions to minimize redundant energy usage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Green Practice Achievements across Full Lifecycle

Through technologies including liquid-cooled motors and fully-sealed lithium batteries, we have extended vehicle lifespan to 10 years, reducing replacement frequency among users and resource consumption in production. The Chongqing smart manufacturing base implements low-carbon production by optimizing energy structures and minimizing toxic material usage, achieving significant reductions in full lifecycle carbon footprints. Leveraging the PLM system to integrate upstream and downstream operations, we promote supply chain transparency and green standard implementation to align with national policies for industrial chain modernization.

Standardization and Compliance Assurance

- The Group has established dedicated product management positions, requiring product managers to oversee full lifecycle planning and implementation.

It strictly enforces the E-Bike Industry Standardization Requirements. This strengthens safety standards throughout product lifecycles and drives industry-wide quality improvement.

Industry Impact and Future Direction

Luyuan's PLM practices not only enhance operational efficiency but also set digital benchmarks for the industry. In the future, it will continue to deepen:

- Data-driven R&D: Circular economy expansion by leveraging consumer behavior data to optimize product design.

- Circular economy expansion: battery recycling and resource recovery, and perfecting the closed-loop lifecycle ecosystem.

Through its comprehensive environmental protection system spanning technology R&D, production optimization, product upgrades, and user application, Luyuan utilizes PLM as the link to coordinate supply chain emission reductions, delivering systematic solutions for the global green transition of two-wheeled transportation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Governance Structure		
General Disclosure	A statement from the board containing the following elements: (i) Disclosure of the board's oversight of Environmental, Social and Governance (ESG) issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); (iii) How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	1.5 Statement from the Board
Reporting Principles		
General Disclosure	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: **Materiality**: The Environmental, Social and Governance Report should disclose: (i) the process to identify and the criteria for the selection of material Environmental, Social and Governance factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative**: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency**: The issuer should disclose in the ESG report any changes in the statistical methods or key performance indicators (if any) or any other relevant factors affecting meaningful comparison.	1.2 Reporting Guide and Principles

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Reporting Boundary		
General Disclosure	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1.1 Reporting boundary
A. ENVIRONMENTAL		
Level A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Environmental
KPI A1.1	Types of emissions and related emission data.	6.1 Energy-saving and Emission Reduction Measures
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	6.1 Energy-saving and Emission Reduction Measures
KPI A1.3	Total hazardous waste produced and intensity.	6.2 Resource Management
KPI A1.4	Total non-hazardous waste produced and intensity.	6.2 Resource Management
KPI A1.5	Describe the emissions targets set and the steps taken to achieve them.	6.1 Energy-saving and Emission Reduction Measures
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.2 Resource Management
Aspect A2: Use of Resource		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6. Environmental
KPI A2.1	Total direct and/or indirect energy consumption by type and intensity.	6.1 Energy-saving and Emission Reduction Measures
KPI A2.2	Water consumption and intensity.	6.2 Resource Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.1 Energy-saving and Emission Reduction Measures
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.2 Resource Management
KPI A2.5	The total amount of packaging materials used for finished products and the amount per unit of production.	6.2 Resource Management
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6.3 Environmental Assessment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.3 Environmental Assessment
Aspect A4: Climate Change		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6.5 Response to Climate Change
KPI A4.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.5 Response to Climate Change
B. SOCIAL		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Employee Rights and Benefits
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	5.1 Employee Rights and Benefits
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1 Employee Rights and Benefits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.2 Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.2 Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	5.2 Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2 Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3 Talent Cultivation and Development
KPI B3.1	Percentage of employees trained by gender and type of employee (e.g. senior management, middle management).	5.3 Talent Cultivation and Development
KPI B3.2	Average number of hours of training completed per employee, broken down by sex and type of employee.	5.3 Talent Cultivation and Development
Aspect B4: Labour Standards		
General Disclosure	For the prevention of child or forced labour: (a) policy; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer.	5.1 Employee Rights and Benefits
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Employee Rights and Benefits
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Employee Rights and Benefits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.5 Sustainable Supply Chain
KPI B5.1	Number of suppliers by region.	4.5 Sustainable Supply Chain
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.5 Sustainable Supply Chain
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.5 Sustainable Supply Chain
KPI B5.4	Description of practices used to promote environmentally friendly products and services when selecting suppliers, and how they are implemented and monitored.	4.5 Sustainable Supply Chain
Aspect B6: Product Responsibility		
General Disclosure	Information on:	4.2 Quality Management
	(a) the policies; and	3.3 Intellectual Property Protection
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	4.4 Customer Rights Protection 3.1 Innovative Green Technologies
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.2 Quality Management
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	4.4 Customer Rights Protection
KPI B6.3	Description of practices relating to maintaining and safeguarding intellectual property rights.	3.3 Intellectual Property Protection
KPI B6.4	Description of quality assurance process and recall procedures.	4.2 Quality Management 6.6 Product Lifecycle Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.4 Customer Rights Protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the Policy; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer information relating to bribery, extortion, fraud and money laundering.	4.1 Business Ethics and Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practises brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	4.1 Business Ethics and Anti-Corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	4.1 Business Ethics and Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and employees.	4.1 Business Ethics and Anti-Corruption
Level B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.4 Community Responsibility and Contribution
KPI B8.1	Focus areas of contribution.	5.4 Community Responsibility and Contribution
KPI B8.2	Resources contributed to the focus area.	5.4 Community Responsibility and Contribution

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on February 18, 2009 as an exempted company with limited liability under the Companies Act. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Group. The Group is an electric two-wheeled vehicle provider in mainland China which principally engages in design, research and development, manufacturing and selling of electric two-wheeled vehicles. Details of the principal activities of the subsidiaries of the Company are set out in note 11 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended December 31, 2024 as required by Schedule 5 to the Companies Ordinance is set out in the sections headed "Chairman's Statement" from pages 10 to 13 and "Management Discussion and Analysis – Business Review" from pages 14 to 16 of this annual report which constitute part of this directors' report.

OUTLOOK FOR 2025

In the year ending December 31, 2025, the Group will continue to pursue the following: (i) strengthening its traditional mass market business; (ii) developing new product categories and consumer segments; (iii) enhancing its technological infrastructure through cutting-edge AI integration in product engineering; and (iv) implementing a strategic intelligent manufacturing transformation. Further discussion of the future development in the Group's business is set out in the sections headed "Chairman's Statement" from pages 10 to 13 and "Management Discussion and Analysis – Outlook" from pages 17-19 of this annual report respectively which constitute part of this directors' report.

KEY FINANCIAL HIGHLIGHTS

For the Reporting Period:

- profit for the year amounted to RMB116.1 million, representing a year-on-year decrease of approximately 20.3%;

- profit for the year excluding the effect of share-based payments expenses amounted to RMB154.0 million, representing a year-on-year decrease of approximately 5.9%; and

- the Company proposed a final dividend of HKD0.15 per ordinary Share for the year ended December 31, 2024 (for the year ended December 31, 2023: nil).

KEY RELATIONSHIPS

Relationship with Suppliers

With the aim of obtaining high quality supplies from reliable sources, the Company only selects suppliers from its accredited suppliers list after careful and thorough evaluation and assessment covering a range of criteria, including production capacity, quality control, innovation, technical strength, financial conditions and market reputation. In order to strengthen the business relationships and further secure sufficient supplies of its quality raw materials and advanced components, the Company may also enter into strategic cooperative agreements with key suppliers, pursuant to which the Company is able to secure exclusive supply rights for advanced or patented components of such suppliers and co-develop or improve such components with them to be applied to the Group's electric two-wheeled vehicles. Further, in case of critical bottleneck supplies, the Company may also enter into exclusive supply arrangements with key suppliers and have multiple suppliers or suppliers with multiple technical solutions while taking their geographic location into account to minimize any potential disruption in the Group's operations, maintain sourcing stability and/or avoid over-reliance risk.

Purchases from the five largest suppliers of the Company accounted for less than 30% of the Company's total purchases for the year ended December 31, 2024. The Company did not experience any material disruption in the delivery of its products or suffer any loss as a result of delays in delivery or poor handling of goods that had any material adverse impact on the Company's business or results of operations during the year ended December 31, 2024.

Relationship with Customers

The Company's customers are primarily its distributors in mainland China, international distributors, corporate and institutional clients and end customers from its self-operated online stores. Revenue derived from the five largest customers of the Company accounted for less than 30% of the Company's total revenue for the year ended December 31, 2024.

DIRECTORS' REPORT

Relationship with Employees

The Group recognizes its employees as prominent assets for its development and it places great importance on attracting and recruiting qualified employees. 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 to improving the relevant skills of the existing employees as well. In order to incentivize employees for their contribution to the Company and to attract and retain skilled and experienced personnel, the Company has adopted the Pre-IPO Share Scheme and conditionally adopted the Post-IPO Share Scheme to grant share awards and share options, as the case may be, to qualified employees as incentives, details of which are set out in the section headed "Share Schemes" in this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to upholding its social responsibilities by safeguarding the environment, prioritizing employee well-being and growth, supporting the community, and striving for sustainable development. Information about the Company's ESG policies and performance during the year ended December 31, 2024 has been set out in the section headed "Environmental, Social and Governance Report" in this annual report.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended December 31, 2024, the Group has not committed any material breaches or violations of relevant laws and regulations in the PRC, where the Group has business entities and operations, and the Group has duly obtained licenses, permits and approvals from relevant government authorities that are material to its business operations in mainland China. Details of the Group's compliance with relevant laws and regulations has been set out in the section headed "Environmental, Social and Governance Report" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operation of the Group. The principal risks and uncertainties that the Group faces and key mitigations that the Group adopts are summarized as follows:

Principal Risks and Uncertainties	Description	Key Mitigations
Risks related to quality issues of our products and the electric two-wheeled vehicle industry	Maintaining consistent product quality depends significantly on the effectiveness of the Group's quality control systems. However, the Group's quality control system may not be able to identify all defects at all times or in a timely manner and any defects of the Group's products or electric two-wheeled vehicles may cause property damage or personal injury, increase in level of product returns, increase in product liability claims, all of which could damage the Group's market reputation and affect its financial and business conditions.	As part of its internal quality control procedure, the Group adopts design failure mode and effect analysis for its new products and technologies. The Group carries out a number of tests with its products including road testing, ash testing, inspection and testing and modify its product design and manufacture process based on the test results with a view to controlling the impacts of any latent defects. Further, the Group will establish a graded quality inspection system to optimize the flow of the technical process and improve the static and dynamic testing processes before launching its products. The Group will conduct user testing and collect user feedback throughout the product life cycle and establish a user research department and a user feedback data centre. The Group will improve the supplier management system. Specifically, for key components or components that are of an unstable quality, the Group will assign dedicated personnel to supervise on-site and ensure that the raw materials and craftsmanship are up to standard, as well as to assist suppliers in optimizing the production and quality control processes. The Group will also carry out actions among all of its staff to enhance the quality of its products.

DIRECTORS' REPORT

Principal Risks and Uncertainties	Description	Key Mitigations
Risks related to damage to the Group's brand, trademarks or reputation, or failure to effectively promote the Group's brand	The Group's success largely depends on the popularity of its "Luyuan" brand which it uses for marketing and promotion, and its reputation for electric two-wheeled vehicles. Product defects, ineffective customer services, product liability claims, consumer complaints, intellectual property infringement, lawsuits brought against the Group by third parties for trade mark infringement, or negative publicity or media reports against the Group or its products, even if meritless or immaterial, may divert the Group's management's attention and other resources from day-to-day business operation and could cause harm to the Group's brand and reputation, as well as competitive position. Besides, unauthorized use of trademarks by the Group's distributors, who are only authorized to display the Group's brand name or trademarks at their retail outlets or when marketing the Group's products, may harm the Group's reputation and brand image. Furthermore, if end users perceive or experience a reduction in the quality of the Group's products, or consider in any way that the Group fails to deliver consistently high quality products, the Group's brand value could suffer, which could have a material and adverse effect on the Group's business.	The Group will protect its trademarks by carry out formal trademark registrations. Specifically, the Group will categorize its trademarks, product trademarks and technical trademarks and make domestic and overseas trademark registrations for its principal business activities in accordance with the system of International Classification of Goods and Services for the Purposes of the Registration of Marks established by the Nice Agreement. The Group also plans to carry out protective trade mark registrations for similar trademarks. In addition, the Group will engage third parties to monitor if there is any infringement of its rights. In particular, the Group will monitor if there are situations where trademarks that are already in use by the Group have been registered, or situations of trademark infringement or registration of similar trademarks, and protect its rights and interests through objection, withdrawal and prosecution.

Principal Risks and Uncertainties	Description	Key Mitigations
Uncertainty to successfully implement the Group's future business plans and strategies	The Group's business plans and strategies are formulated based on assumptions of future events, which carry inherent uncertainties and potential risks. In case of failure to effectively implement its business plans and strategies, the Group may face challenges in expanding, managing growth, seizing market opportunities, and staying competitive. Even if they are implemented effectively, there may be other unexpected events or factors that prevent the Group from achieving the desirable and profitable results, thereby negatively affect its business, financial conditions, results of operations and prospects.	The Group will continue to pay attention to policies related to international trade, new energy and electric vehicle industries, carry out in-depth communications with relevant major departments to understand the industry development and participate in the next stage of development planning. The Group will also monitor the policy requirements, technical development and raw material prices for key links in the supply chains, such as for batteries and raw materials. The Group will learn about the prominent cooperative projects of the major players in the industry and timely adjust its business and implementation strategies. The Group will monitor and analyze the industry technology trend and consumption trend. The Group will also seek for users and major distributors for its new products and conduct an analysis and evaluation of its new projects.

SUBSEQUENT EVENT

Particulars of material subsequent events affecting the Group that have occurred since the year ended December 31, 2024 are stated in note 40 to the consolidated financial statements and the section headed "Management Discussion and Analysis – Events after the Reporting Period" in this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended December 31, 2024 and the state of the Group's financial position as at that date are set out in the consolidated financial statements from pages 173-272 of this annual report.

Final Dividend

The Board recommends the payment of a final dividend of HKD0.15 per ordinary Share for the year ended December 31, 2024 (the "**Proposed Final Dividend**") (for the year ended December 31, 2023: nil), being approximately HKD61.5 million in aggregate. The actual total amount of final dividends to be paid will be subject to the total number of issued Shares as at the record date (the "**Record Date**") for determining the entitlement of Shareholders to the Proposed Final Dividend.

DIRECTORS' REPORT

The Proposed Final Dividend is declared and will be paid in Hong Kong dollar. Subject to the approval of Shareholders at the annual general meeting to be held on Thursday, May 22, 2025 (the "**AGM**"), the Proposed Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Friday, May 30, 2025. The Proposed Final Dividend is expected to be distributed to the Shareholders before Thursday, June 12, 2025. For details, please refer to note 39 to the consolidated financial statements in this annual report.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

Distributable Reserves

As of December 31, 2024, the Company had distributable reserves of RMB753.4 million.

Reserves

Changes to the reserves of the Group during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity in this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2024 are set out in note 14 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended December 31, 2024 are set out in note 33 to the consolidated financial statements in this annual report.

Bank Borrowings and other Loans

Details of bank borrowings and other loans of the Group as at December 31, 2024 are set out in note 32 to the consolidated financial statements of this annual report.

Donation

Donations made by the Group during the year ended December 31, 2024 was RMB300,000.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on in the section headed "Five-year Financial Summary" on page 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

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

During the Reporting Period, the Trustee purchased 14,219,500 Shares with a total consideration of HKD99.9 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.

During the Reporting Period, the Company repurchased a total of 16,497,000 Shares on the Stock Exchange at an aggregate consideration of approximately HKD101.0 million. All such repurchased Shares were held by the Company as treasury Shares. The Board believes that the repurchase of Shares was conducted to demonstrate the Company's confidence in its business outlook and long-term development and would create value for the Shareholders as a whole and the benefit the Company in the long run.

The table below sets forth a monthly breakdown of the Company's repurchases of the Shares during the Reporting Period:

Month of repurchase in 2024	Number of Shares purchased	Highest price paid per Share	Lowest price paid per Share	Aggregate price paid
		HKD	HKD	HKD
July	14,230,000	6.25	5.74	85,272,195
September	1,400,000	7.00	6.71	9,741,640
December	867,000	7.5	6.46	6,018,510
Total	**16,497,000**			**101,032,345**

Save as disclosed above, during the year ended December 31, 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 December 31, 2024, the Company held 16,497,000 treasury Shares. Subject to compliance with the Listing Rules, the Company may consider applying such treasury Shares for resale, consideration of future acquisitions, or funding existing share schemes of the Company. All treasury Shares held by the Company are not entitled to receive the Proposed Final Dividend (as defined below).

DIRECTORS' REPORT

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, incentivising, retaining, rewarding, compensating and/or providing benefits to Pre-IPO Eligible Participants (as defined below); (ii) to align the interests of Pre-IPO Eligible Participants 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**").

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 4.08% 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.

DIRECTORS' REPORT

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 annual report, the remaining life of the Pre-IPO Share Scheme is approximately 8 years and 3 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.

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.

DIRECTORS' REPORT

Details of the Pre-IPO Awards (as defined in the Prospectus) granted under the Pre-IPO Share Scheme during the year ended December 31, 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	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Number of outstanding Shares underlying the options granted as at December 31, 2024	Exercise price Note 3 (HKD)	Weighted average closing price of the Shares immediately before the dates on which the options were exercised (HKD)	Vesting period	Exercise period
Director											
Chen Guosheng	1,726,600	–	July 20, 2023	–	–	–	1,726,600	–	*See Note 5*	*See Note 4*	From the date that is six months after the Listing Date (as defined below) to July 19, 2033
Subtotal	1,726,600	–		–	–	–	1,726,600				
Five highest paid individuals											
Five highest paid individuals during the Reporting Period in aggregate Note 6	3,129,400	–	July 20, 2023	140,280	–	–	2,989,120	–	*See Note 5*	*See Note 4*	From the date that is six months after the Listing Date to July 19, 2033
Subtotal	3,129,400	–		140,280	–	–	2,989,120				
Other employees of the Group											
Other grantees in aggregate (excluding the five highest paid individuals during the Reporting Period as disclosed above)	13,606,600	–	July 20, 2023	1,162,880	–	111,565	12,332,155	–	*See Note 5*	*See Note 4*	From the date that is six months after the Listing Date to July 19, 2033
Subtotal	13,606,600	–		1,162,880	–	111,565	12,332,155				
Total	16,736,000	–		1,303,160	–	111,565	15,321,275				

DIRECTORS' REPORT

Notes:

(1) Representing the number of the underlying Shares corresponding to the share options granted after the Capitalization Issue (as defined in the Prospectus).

(2) As no further options will be granted under the Pre-IPO Share Scheme after October 12, 2023 (the "**Listing Date**"), no options were granted under the Pre-IPO Share Scheme during the Reporting Period. Accordingly, particulars of options granted under the Pre-IPO Share Scheme 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) 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.

(4) The share options granted under the Pre-IPO Share Scheme are to vest in accordance with the following vesting schedule: (a) 10% of the share options are to vest on the first anniversary of the Pre-IPO Scheme Adoption Date (as defined in the Prospectus); (b) 20% of the share options are to vest on the second anniversary of the Pre-IPO Scheme Adoption Date; (c) 30% of the share options are to vest on the third anniversary of the Pre-IPO Scheme Adoption Date; and (d) 40% of the share options are to vest on the fourth anniversary of the Pre-IPO Scheme Adoption Date.

(5) During the Reporting Period, no options were exercised by executive Director, Mr. Chen Guosheng. Accordingly, the weighted average closing price of the Shares immediately before the date on which such options were exercised during the Reporting Period is not available.

During the Reporting Period, 140,280 options were exercised by the five highest paid individuals in the Group. The weighted average closing price of the Shares immediately before the relevant dates on which such options were exercised during the Reporting Period is HKD5.30.

During the Reporting Period, 1,162,880 options were exercised by other employees of the Group. The weighted average closing price of the Shares immediately before the relevant dates on which such options were exercised during the Reporting Period is HKD5.54.

(6) One of the five highest paid individuals in the Group for the year ended December 31, 2024 is Mr. Chen Guosheng, an executive Director. The details regarding the Pre-IPO Award granted to him are disclosed in the above table.

As the Company will not grant further share options and share awards under the Pre-IPO Share Scheme upon or after the Listing Date, the number of options and awards available for grant pursuant to the Pre-IPO Scheme Mandate Limit (as defined in the Prospectus) under the Pre-IPO Share Scheme is nil as of both January 1, 2024 and December 31, 2024.

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.

DIRECTORS' REPORT

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 to provide the Company with a flexible means of attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to Post-IPO Eligible Participants (as defined below); (ii) to align the interests of Post-IPO Eligible Participants 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 an award under the Post-IPO Share Scheme (the "**Post-IPO Award**", and the term "**Post-IPO Awards**" shall be construed accordingly), the nature and amount of which shall be determined by the Board or scheme administrator, to such grantee during a period of 10 years commencing at the time immediately prior to the Shares commencing trading on the Stock Exchange (the "**Post-IPO Scheme Adoption Date**") and ending on the 10th anniversary of the Post-IPO Scheme Adoption Date.

A Post-IPO Award may be in the form of: (i) an award which vests in the form of the right to subscribe for and/or to be issued such number of Post-IPO Award Shares as the scheme administrator may determine at the Post-IPO Scheme Issue Price (as defined below) in accordance with the terms of the Post-IPO Share Scheme (a "**Post-IPO Share Award**"); or (ii) an award which vests in the form of the right to subscribe for such number of Post-IPO Award Shares as the scheme administrator may determine during the exercise period at the Post-IPO Scheme Exercise Price 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 annual 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.

DIRECTORS' REPORT

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 10.40% of the total number of Shares in issue (excluding treasury Shares) as of the date of this report. As of December 31, 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 10.40% 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 1.04% 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.

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

DIRECTORS' REPORT

(iii) (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.

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 8 years and 4 months. 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.

DIRECTORS' REPORT

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.

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.

DIRECTORS' REPORT

Details of the Post-IPO Awards (as defined in the Prospectus) granted under the Pre-IPO Share Scheme during the year ended December 31, 2024 are set out below:

Name/Category of the grantees	Unvested awards as at January 1, 2024 Note 1	Awards granted during the Reporting Period	Date of grant	Awards vested during the Reporting Period Note 3	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested awards as at December 31, 2024	Purchase price Note 2 (HKD)	Closing price of the Shares on July 2, 2024, being the date immediately before the date of grant of the awards (HKD)	Fair value of the awards at the date of grant Note 3 (HKD)	Vesting period
Director											
Chen Guosheng	–	170,500	July 3, 2024	–	–	–	170,500	–	6.03	5.88	*See Note 4*
Ni Boyuan	–	128,000	July 3, 2024	–	–	–	128,000	–	6.03	5.88	*See Note 4*
Subtotal	–	298,500		–	–	–	298,500				
Five highest paid individuals											
Five highest paid individuals during the Reporting Period in aggregate Note 5	–	440,500	July 3, 2024	–	–	–	440,500	–	6.03	5.88	*See Note 4*
Subtotal	–	440,500		–	–	–	440,500				
Other employees of the Group											
Other grantees in aggregate (excluding the five highest paid individuals during the Reporting Period as disclosed above)	–	2,772,000	July 3, 2024	–	–	–	2,772,000	–	6.03	5.88	*See Note 4*
Subtotal	–	2,772,000		–	–	–	2,772,000				
Total	–	3,212,500		–	–	–	3,212,500				

Notes:

(1) No Post-IPO Share Awards were granted under the Post-IPO Share Scheme since the adoption of the Post-IPO Share Scheme and up to December 31, 2023.

(2) To align with the purposes of the Post-IPO Share Scheme to attract, remunerate, incentivize, retain, reward, compensate and/or provide benefits to Post-IPO Eligible Participants (as defined in the Prospectus), the purchase price of the Post-IPO Share Awards under the Post-IPO Share Scheme has been determined as nil.

(3) The fair value of the Post-IPO Share Awards granted during the Reporting Period was calculated based on the market value of the Shares on the date of grant. Details of the fair value of the Post-IPO Share Awards granted during the Reporting Period and the accounting standard and policy adopted in calculation of such fair value will be set out in notes 2.26 and 34 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

(4) The Post-IPO Share Awards granted under the Post-IPO Share Scheme are to vest in accordance with the following vesting schedule, subject to the terms and conditions as set out in the letter of grant (including the fulfilment of the performance targets): (a) 30% of the Post-IPO Share Awards granted to the respective Grantee will be vested from July 3, 2025; (b) 30% of the Post-IPO Share Awards granted to the respective Grantee will be vested from July 3, 2026; and (c) 40% of the Post-IPO Share Awards granted to the respective Grantee will be vested from July 3, 2027. According to the vesting schedule, no Post-IPO Share Awards were vested during the Reporting Period and therefore the weighted average closing price of the Shares immediately before the date on which the Post-IPO Share Awards were vested under the Post-IPO Share Scheme is not available.

(5) The five highest paid individuals in the Group for the year ended December 31, 2024 include Mr. Chen Guosheng and Ms. Ni Boyuan, each an executive Director. The details regarding the Post-IPO Award granted to them are disclosed in the above table.

(6) The vesting of the Post-IPO Share Awards shall be conditional upon the performance results of the individual Grantee achieving the respective performance targets in the year preceding the vesting date of the Post-IPO Share Awards.

(7) Subsequent to the Reporting Period, 5,104,000 Post-IPO Share Awards, involving a total of 5,104,000 Post-IPO Award Shares, which represent approximately 1.2% of the total Shares in issue (excluding treasury Shares) as of the date of this report, were granted to 51 eligible participants (the "**2025 Grantees**") at nil consideration under the Post-IPO Share Scheme. The Post-IPO Share Awards granted to the 2025 Grantees will be satisfied by existing Shares held by the trustee(s) of the Post-IPO Share Scheme (the "**Trustee**"). The Trustee shall continue to hold such Shares underlying the Post-IPO Share Awards on trust for the 2025 Grantees and shall transfer such Shares to the 2025 Grantees upon vesting. As of the date of this report, the Trustee holds 14,219,500 Shares under the Post-IPO Share Scheme. Further details are set out in the announcement of the Company dated January 20, 2025.

As no share options or awards had been granted since the adoption of the Post-IPO Share Scheme and up to December 31, 2023, as of January 1, 2024, the Post-IPO Scheme Mandate Limit (as defined in the Prospectus) was 42,666,700 Shares and the Post-IPO Service Provider Sublimit (as defined in the Prospectus) was 4,266,670 Shares, representing 10.40% and 1.04% of the total number of Shares in issue (excluding treasury Shares) as of the date of this report respectively.

As no share options had been granted under the Post-IPO Share Scheme during the Reporting Period and all Post-IPO Awards granted under the Post-IPO Share Scheme during the Reporting Period will be satisfied by existing Shares held by Trustee, as of December 31, 2024, the Post-IPO Scheme Mandate Limit (as defined in the Prospectus) was 42,666,700 Shares and the Post-IPO Service Provider Sublimit (as defined in the Prospectus) was 4,266,670 Shares, representing 10.40% and 1.04% of the total number of Shares in issue (excluding treasury Shares) as of the date of this report respectively.

No options were granted under the Pre-IPO Share Scheme during the Reporting Period and all awards granted under the Post-IPO Share Scheme during the Reporting Period will be settled by Shares held by the trustee of the Pre-IPO Share Scheme. Thus, no new Shares will be issued upon vesting or exercising of the options or awards granted under the Pre-IPO Share Scheme and the Post-IPO Share Scheme during the Reporting Period. As no Shares were issued in respect of options and awards granted under all schemes of the Company (namely the Pre-IPO Share Scheme and the Post-IPO Share Scheme) during the Reporting Period, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue (excluding treasury Shares) for the Reporting Period 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.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended December 31, 2024 and up to the Latest Practicable Date were:

Name	Position/Title
Ni Jie	Executive Director and chairman of the Board
Hu Jihong	Executive Director
Chen Guosheng	Executive Director
Ni Boyuan *(appointed on June 26, 2024)*	Executive Director
David Ross Dingman (alias Mr. David R. Dingman) *(resigned on March 18, 2024)*	Non-executive Director
Wu Xiaoya	Independent non-executive Director
Peng Haitao	Independent non-executive Director
Liu Bobin	Independent non-executive Director
Chan Chi Fung Leo	Independent non-executive Director

The biographical details of the Directors and senior management of the Company as of the Latest Practicable Date are set out in the chapter headed "Directors and Senior Management" in this annual report.

Pursuant to Article 26.4 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 26.3 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the annual general meeting at which such Director retires and shall be eligible for re-election at such meeting. Accordingly, Ms. Hu Jihong, Mr. Chen Guosheng and Mr. Chan Chi Fung Leo will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

None of the Directors offering themselves for re-election at the forthcoming AGM has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Changes in Director's Information

Mr. David Ross Dingman resigned as a non-executive Director with effect from March 18, 2024.

Ms. Ni Boyuan was appointed as an executive Director with effect from June 26, 2024. She has obtained legal advice from a firm of solicitors under Rule 3.09D of the Listing Rules on June 24, 2024 and has confirmed that she understood her obligations as an executive Director.

DIRECTORS' REPORT

Mr. Wu Xiaoya, an independent non-executive Director, resigned as an independent non-executive Director of NanJi E-Commerce Co., Ltd. (南極電商股份有限公司), a company listed on the SZSE (stock code: 002127) and Anhui A-rising New Energy Incorporated Company (安徽安瑞升新能源股份有限公司), a company listed on NEEQ (stock code: 834489) in September 2024, respectively.

Save as disclosed above, 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' Service Contracts and Letters of Appointment

Except for Ms. Ni Boyuan who entered into a service contract with the Company on June 26, 2024, each of the remaining executive Directors has entered into a service contract with the Company on September 24, 2023. Letters of appointment have also been issued by the Company to each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with our independent non-executive Directors are for an initial fixed term of three years commencing from September 24, 2023, except for Ms. Ni Boyuan, our executive Director, whose service contract is for an initial fixed term of three years commencing from June 26, 2024. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Wu Xiaoya, Mr. Peng Haitao, Mr. Liu Bobin, Mr. Chan Chi Fung Leo), and the Company considers such Directors to be independent for the year ended December 31, 2024.

Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance

There was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended December 31, 2024.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2024.

DIRECTORS' REPORT

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As of December 31, 2024, the interests and short positions of the Directors and chief executive 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	Capacity/nature of interest	Number of Shares/ underlying shares[7]	Approximate percentage of shareholding in the total issued share capital[8]
Mr. Ni Jie[1] [3] [4] ("**Mr. Ni**")	Interest in controlled corporation	146,464,000 (L)	34.33%
	Interest of spouse	131,200,000 (L)	30.75%
Ms. Hu Jihong[2] [3] [4] ("**Ms. Hu**")	Interest in controlled corporation	146,464,000 (L)	34.33%
	Interest of spouse	131,200,000 (L)	30.75%
Mr. Chen Guosheng[5]	Beneficial owner	1,897,100 (L)	0.40%
Ms. Ni Boyuan[6]	Beneficial owner	128,000 (L)	0.03%

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 (i) an option to acquire for 1,726,600 Shares under the Pre-IPO Share Scheme on July 20, 2023 and (ii) 170,500 Post-IPO Share Awards (corresponding to 170,500 Post-IPO Award Shares) under the Post-IPO Share Scheme on July 3, 2024.

(6) Ms. Ni Boyuan was granted 128,000 Post-IPO Share Awards (corresponding to 128,000 Post-IPO Award Shares) under the Post-IPO Share Scheme on July 3, 2024.

DIRECTORS' REPORT

(7) The letter "L" denotes a person's long position in such Shares.

(8) The percentage of shareholding is calculated based on the total number of 426,667,000 Shares in issue as of December 31, 2024.

Save as disclosed above, as of December 31, 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.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of December 31, 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%
	Interest of spouse	131,200,000 (L)	Ordinary Shares	30.75%
Ms. Hu[1] [2] [4]	Interest in controlled corporation	146,464,000 (L)	Ordinary Shares	34.33%
	Interest of spouse	131,200,000 (L)	Ordinary Shares	30.75%
Apex Marine[2]	Beneficial owner	131,200,000 (L)	Ordinary Shares	30.75%
Drago Investments[3]	Beneficial owner	131,200,000 (L)	Ordinary Shares	30.75%

Notes:

1. 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.

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. 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.

DIRECTORS' REPORT

4. 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.

5. The letter "L" denotes a person's long position in such Shares.

6. The percentage of shareholding is calculated based on the total number of 426,667,000 Shares in issue as of December 31, 2024.

Save as disclosed above, as of December 31, 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in note 9 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the senior management by band for the year ended December 31, 2024 is set out below:

Remuneration band	Number of senior management
Nil – HKD1,000,000	1
HKD1,000,001 to HKD1,500,000	3
HKD1,500,001 to HKD2,000,000	1
HKD4,500,001 to HKD5,000,000	1
HKD5,000,001 to HKD5,500,000	1

The annual remuneration of the senior management includes salaries, other allowances, retirement benefit scheme contributions and share-based payment expenses during their tenure for the year ended December 31, 2024.

PUBLIC FLOAT

As at the Latest Practicable Date and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules.

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

Save as disclosed under the sections headed "Share Incentive Schemes" in this directors' report, at no time during the year ended December 31, 2024 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors and the controlling Shareholders was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group for the year ended December 31, 2024 which would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors and officers of the Company shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default. Such provisions were in force throughout the year ended December 31, 2024 and are currently in force.

The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors during the year ended December 31, 2024.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. A total of 106,667,000 ordinary shares comprising the Global Offering with a par value of US$0.0001 each of the Company were issued at HK$7.37 per Share. The net proceeds raised by the Company from the Global Offering is approximately HK$706.4 million.

Details of the Group's use of proceeds from the Global Offering are set out in the section headed "Management Discussion and Analysis – Use of Proceeds" in this annual report.

CONNECTED TRANSACTIONS

There was no connected transaction or continuing connected transaction undertaken by the Company during the year ended December 31, 2024 and up to the date of this annual report which was required to be disclosed pursuant to Chapter 14A of the Listing Rules. The related-party transactions disclosed in note 38 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

ANNUAL GENERAL MEETING

The AGM will be held on May 22, 2025. A notice convening the AGM and all other relevant documents will be published to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the Shareholders to attend and vote at the AGM, the Company's register of members will be closed from Monday, May 19, 2025 to Thursday, May 22, 2025, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, May 16, 2025.

DIRECTORS' REPORT

For determining the entitlement of the Shareholders to receive the Proposed Final Dividend, the register of members of the Company will also be closed from Wednesday, May 28, 2025 to Friday, May 30, 2025 (both dates inclusive). The Record Date is Friday, May 30, 2025. To be eligible to receive the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, May 27, 2025.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 37 to 60 of this annual report.

AUDIT COMMITTEE

As of the date of this report, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Wu Xiaoya, Mr. Liu Bobin and Mr. Peng Haitao. Mr. Wu Xiaoya is the chairman of the Audit Committee who possesses appropriate professional qualifications as required by Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting, including a review of the annual results of the Group for the year ended December 31, 2024.

AUDITOR

The financial statements for the year ended December 31, 2024 have been audited by PricewaterhouseCoopers, who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint PricewaterhouseCoopers, as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this directors' report.

On behalf of the Board
Mr. Ni Jie
Chairman and Executive Director

March 28, 2025

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Luyuan Group Holding (Cayman) Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Luyuan Group Holding (Cayman) Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 173 to 272, comprise:

- the consolidated balance sheet as at December 31, 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to revenue recognition from sales of goods.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of goods	
Refer to Note 2.19 and Note 5 to the consolidated financial statements. The Group recognized revenue of RMB5,035 million from the sales of goods to its customers, mainly distributors, during the year ended December 31, 2024. Revenue is recognized when the products are accepted by the customers. Significant effort was spent on auditing the revenue recognized by the Group because of the large number of the distributors and volume of transactions, as well as the large volume of considerations made to the distributors in the form of loyalty points or reimbursement of decoration costs (the "**considerations made to distributors**") under customer contracts with distributors, which are recorded as a reduction of revenue. Therefore, our audit focused on revenue recognition and considered it as a key audit matter.	Our procedures in relation to revenue from sales of goods recognized included: • Understanding and evaluating the internal controls and testing key internal controls over revenue recognition including the considerations made to distributors; • Evaluating the appropriateness of accounting policies of revenue recognition by examining the key terms of customer contracts on a sample basis; • Testing revenue transactions on a sample basis to the supporting documents, including the customer contracts, underlying goods receipt notes and invoices; • Confirming the revenue for the year ended December 31, 2024 and trade receivables as of December 31, 2024 with customers on a sample basis; • Performing cut-off test on revenue transactions, by examining the goods receipt notes signed by customers before and after year end date and checking whether the revenue transactions were recognized in appropriate period;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Checking the formula and basis used to calculate the considerations made to distributors by comparing the key terms of customers' contracts on a sample basis; • Examining the data used in calculation of the considerations made to distributors on a sample basis to the supporting documents; Based on the procedures performed, we found the revenue from sales of goods recognized to be supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 28, 2025

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Revenue	5	**5,071,956**	5,082,982
Cost of sales	8	**(4,406,943)**	(4,401,743)
Gross profit		**665,013**	681,239
Selling and marketing costs	8	**(311,619)**	(316,228)
Administrative expenses	8	**(103,844)**	(99,240)
Research and development costs	8	**(231,172)**	(189,399)
Reversal/(provision) of impairment on financial assets	3.1.2	**52**	(908)
Other income	6	**88,141**	62,720
Other expense	6	**(12,282)**	(6,522)
Other gains – net	7	**15,882**	8,728
Operating profit		**110,171**	140,390
Finance income	10	**38,400**	32,661
Finance costs	10	**(21,983)**	(21,984)
Finance income – net	10	**16,417**	10,677
Share of results of associates	18	**(1,157)**	73
Profit before income tax		**125,431**	151,140
Income tax expenses	12	**(9,363)**	(5,533)
Profit for the year		**116,068**	145,607
Profit attributable to:			
– The equity holders of the Company		**116,757**	145,607
– Non-controlling interests		**(689)**	–
Earnings per share for profit attributable to equity holders of the Company			
– Basic (RMB per share)	13	**0.30**	0.43
– Diluted (RMB per share)	13	**0.29**	0.43

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Profit for the year		**116,068**	145,607
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	21	**(15,143)**	3,862
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax	21	**25**	859
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of the Company	21	**12,792**	(9,306)
Total comprehensive income for the year		**113,742**	141,022
Attributable to the equity holders of the Company		**114,431**	141,022
Non-controlling interests		**(689)**	–

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,255,334**	958,641
Right-of-use assets	15	**145,140**	96,492
Intangible assets	16	**773**	1,068
Investments in associates	18	**23,760**	1,517
Deferred income tax assets	25	**23,188**	11,836
Other receivables and prepayments	24	**177,373**	127,698
Time deposits	26	**30,000**	30,000
Trade receivables	23	**486**	4,543
		1,656,054	1,231,795
Current assets			
Inventories	22	**303,068**	254,028
Trade and notes and lease receivables	23	**360,302**	218,955
Other receivables and prepayments	24	**237,965**	202,992
Financial assets at fair value through profit or loss	19	**491,659**	545,326
Debt instruments at fair value through other comprehensive income	20	**42,000**	31,637
Time deposits	26	**293,850**	213,800
Restricted cash	27	**384,940**	168,980
Cash and cash equivalents	27	**554,505**	994,968
		2,668,289	2,630,686
Total assets		**4,324,343**	3,862,481
Net current assets		**151,123**	801,603
OWNERS' EQUITY			
Share capital	33	**305**	305
Share premium	33	**688,457**	688,457
Other reserves	21	**148,004**	279,805
Retained earnings		**659,655**	558,998
Capital and reserve attributable to equity holders of the Company		**1,496,421**	1,527,565
Non-controlling interests		**1,311**	–
Total equity		**1,497,732**	1,527,565

CONSOLIDATED BALANCE SHEET

		As at December 31,	
	Note	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	**259,460**	477,319
Provisions	30	**9,147**	3,395
Lease liabilities	15	**11,785**	4,061
Deferred income	31	**26,135**	21,058
Deferred income tax liabilities	25	**2,918**	–
		309,445	505,833
Current liabilities			
Trade and notes and other payables	28	**1,655,711**	1,552,893
Contract liabilities	29	**91,395**	82,710
Borrowings	32	**742,873**	166,027
Provisions	30	**2,362**	6,560
Lease liabilities	15	**5,600**	3,308
Income tax liabilities		**19,225**	17,585
		2,517,166	1,829,083
Total liabilities		**2,826,611**	2,334,916
Total equity and liabilities		**4,324,343**	3,862,481

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 173 to 272 were approved for issue by the Board of Directors on March 28, 2025 and were signed on its behalf by:

Ms. Hu Jihong	**Mr. Chen Guosheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000 (Note 33)	Share premium RMB'000 (Note 33)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company				
Balance at January 1, 2023		22	–	247,217	432,599	679,838
Comprehensive income						
Profit for the year		–	–	–	145,607	145,607
Currency translation differences		–	–	(5,444)	–	(5,444)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	–	859	–	859
Total comprehensive income for the year		–	–	(4,585)	145,607	141,022
Transactions with owners in their capacity						
Appropriations to statutory reserve		–	–	19,208	(19,208)	–
Issuance of shares from the initial public offering		76	721,140	–	–	721,216
Capitalization issue		207	(207)	–	–	–
Listing expenses		–	(32,476)	–	–	(32,476)
Share-based payments	34	–	–	17,965	–	17,965
Total transactions with owners in their capacity for the year		283	688,457	37,173	(19,208)	706,705
Balance at December 31, 2023		305	688,457	279,805	558,998	1,527,565

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						
		Share capital RMB'000 (Note 33)	Share premium RMB'000 (Note 33)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2024		**305**	**688,457**	**279,805**	**558,998**	**1,527,565**	**–**	**1,527,565**
Comprehensive income								
Profit for the year		–	–	–	116,757	116,757	(689)	116,068
Currency translation differences		–	–	(2,351)	–	(2,351)	–	(2,351)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	–	25	–	25	–	25
Total comprehensive income for the year		–	–	(2,326)	116,757	114,431	(689)	113,742
Transactions with owners in their capacity								
Repurchase of treasury shares		–	–	(91,139)	–	(91,139)	–	(91,139)
Acquisition of shares for Post-IPO Share Awards		–	–	(92,360)	–	(92,360)	–	(92,360)
Capital contribution from non-controlling interests		–	–	–	–	–	2,000	2,000
Appropriations to statutory reserve		–	–	16,100	(16,100)	–	–	–
Share-based payments	34	–	–	37,924	–	37,924	–	37,924
Total transactions with owners in their capacity for the year		–	–	(129,475)	(16,100)	(145,575)	2,000	(143,575)
Balance at December 31, 2024		**305**	**688,457**	**148,004**	**659,655**	**1,496,421**	**1,311**	**1,497,732**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Operating activities			
Cash (used in)/generated from operations	35(a)	**(31,377)**	230,683
Interest received on bank deposits		**38,400**	32,661
Income tax paid		**(10,138)**	(2,718)
Net cash (used in)/generated from operating activities		**(3,115)**	260,626
Investing activities			
Interest received on time deposits		**5,039**	2,351
Purchase of property, plant and equipment, intangible assets and land use rights		**(433,375)**	(203,304)
Payments for financial assets at fair value through profit or loss		**(1,139,755)**	(327,968)
Proceeds from financial assets at fair value through profit or loss		**1,213,653**	331,792
Payments for time deposits		**(273,650)**	(617,840)
Proceeds from time deposits		**193,600**	493,240
Proceeds from government grants related to assets		**7,300**	8,399
Repayment of loans by third parties		**–**	2,290
Proceeds from disposal of property, plant and equipment		**1,947**	263
Investments in an associate		**(23,400)**	–
Net cash used in investing activities		**(448,641)**	(310,777)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
	Note	**2024 RMB'000**	2023 RMB'000
Financing activities			
Interest paid	35	**(21,910)**	(21,539)
Proceeds from borrowings	35	**1,581,200**	1,200,446
Repayments of borrowings	35	**(1,221,920)**	(1,213,876)
Principal and interest of lease payments	35	**(3,906)**	(3,561)
Payments for listing expenses		**–**	(6,336)
Proceeds from issuing ordinary shares		**–**	699,576
Repurchase of treasury shares	21	**(183,499)**	–
Payments for restricted cash		**(137,055)**	–
Net cash generated from financing activities		**12,910**	654,710
Net (decrease)/increase in cash and cash equivalents		**(438,846)**	604,559
Cash and cash equivalents at beginning of the year		**994,968**	395,038
Effect of rate changes, net		**(1,617)**	(4,629)
Cash and cash equivalents at end of the year	27	**554,505**	994,968

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Luyuan Group Holding (Cayman) Limited (the "**Company**") was incorporated in Cayman Islands on February 18, 2009 as an exempted company. The address of its registered office is P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together with the Company, referred to as "**the Group**") are principally engaged in electric vehicle business 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 ("**Best Expand**"), which are incorporated in the British Virgin Islands, and the ultimate controlling shareholders of the Company are Mr. Ni Jie and Ms. Hu Jihong (the "**Controlling Shareholders**").

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Luyuan Group Holding (Cayman) Limited and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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 (Note)	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
Amendments to HKFRS 16	Lease liability in sale and leaseback	January 1, 2024

Note: As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings: "Borrowings are classified as current liabilities unless, at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period. Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification." This new policy did not result in a change in the classification of the Group's borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Certain new accounting standards, amendments and interpretation have been published that are not mandatory for the year ended December 31, 2024 and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group's financial performance and position, except HKFRS 18, which may mainly impact the presentation of the consolidated statements of the comprehensive income and the Group is still in the process of assessing the impact.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	January 1, 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (refer to (c) below), after initially being recognized at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity accounting (Continued)

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker of the Company assesses the financial performance and position of the Group and makes strategic decisions. The chief operating decision maker of the Group consists of the executive directors.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollar ("**HKD**") which is the currency of the primary environment in which the Company operates. The functional currency of the group entities located in the PRC is Renminbi ("**RMB**") in which most of the transactions are denominated. The consolidated financial statements are presented in RMB, unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial positions of some group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the group entities are translated at the closing rate at the date of that consolidated balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income (OCI). When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to consolidated income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20–30 years
– Motor vehicles	4–8 years
– Machinery & equipment	3–12 years
– Office equipment	3–8 years
– Decoration	2–10 years
– Leasehold improvement	shorter of useful life or lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

Construction-in-progress is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Intangible assets

(a) Software

Separately acquired software is shown at historical cost. The asset has finite useful life, and is measured at costs less accumulated amortization. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

– Software	3–10 years

(b) Research and development expenditure

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the patent so that it will be available for use;
- Management intends to complete the patent and use or sell it;
- There is an ability to use or sell the patent;
- It can be demonstrated how the patent will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patent are available; and
- The expenditure attributable to the patent during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the patent include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

No research and development expenditures were capitalized during the reporting period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidation income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidation income statement.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

2.10.3 Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 Financial Instruments ("**HKFRS 9**"), which requires expected lifetime losses to be recognized from initial recognition of the receivables, refer to Note 3.1.2 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Refer to Note 3.1.2 for further details.

2.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Trade and notes receivables and other receivables

Trade and notes receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Credit period is only provided to some customers that have good credit history. They are generally due for settlement within 180 days and therefore all classified as current. Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value.

Other receivables are amounts generally arise from transactions outside the usual operating activities of the Group.

The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Refer to note 3.1 for a description of the Group's impairment policies. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group holds the notes receivables for both collection of contractual cash flows and selling purpose. If selling of the notes receivables meets the definition of derecognition of financial assets, notes receivables are measured at FVOCI. Otherwise, notes receivables are measured at amortized cost using the effective interest method.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity (Note 33). Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and notes payables and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized when the obligation specified in the contract is extinguished, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification at the reporting date.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Employee benefit

2.18.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

2.18.2 Post-employment obligations

The Group operates post-employment schemes via defined contribution pension plans. The Group pays contributions to publicly administered pension insurance plans on a mandatory or voluntary basis in the PRC. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.18.3 Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.18.4 Policy on Mandatory Provident Fund Scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a cap of HKD1,500 per month and contributions thereafter are voluntary. No forfeited contributions are available to reduce contributions payable in the future.

2.19 Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group identified several performance obligations which are to sell products to the Group's distributors or directly to customers, to provide services to distributors.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Sales of products

The Group generates revenue from sales of electric bicycles, electric scooters, batteries and charges and electric two-wheeled vehicle parts through domestic and overseas distributors, corporate and institutional customers, third party e-commerce platforms or self-operated online stores. The sales of products are recognized at a point in time, usually upon the acceptance by the customers.

When the Group sells its products through corporate and institutional customers, domestic and overseas distributors, they are the customers of the Group as they obtain control of the products before selling to end customers. Domestic and overseas distributors are generally required to pay advance before the acceptance of the products. A contract liability is recognized for the advance payment. Revenue from sales of products is recognized at a point in time when control of the products is transferred, usually upon the acceptance at the Group's warehouse by domestic distributors or the named place by and corporate and institutional customers. Revenue from sales of products through overseas distributors is recognized when the products pass the ship's rail at the named port of shipment with Free On Board term("**FOB**").

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

Sales of products (Continued)

When the Group sells its products to individual customers through its self-operated online stores, either established by the Group or established on third-party e-commerce platforms, revenue is recognized at a point in time when the products are accepted by the individual customers. Commission paid to third-party commerce platforms, which are considered as incremental costs of obtaining a contract, are expensed as incurred because the amortization period of the asset is less than one year.

The Group provides reimbursement for store decoration to domestic distributors, which are in substance payment to customer. The reimbursement without committed sales volume is directly deducted from revenue, and the reimbursement with committed sales volume is capitalized as prepayment to domestic distributors and subsequently deducted from revenue which is consistent with the method to recognize revenue from sales of products.

Sales returns are estimated based on historical experiences, which were insignificant for the years ended December 31, 2023 and 2024.

Provision of services

The Group generates revenue from training service and other services. Revenue from training service and other services are recognized when the services are rendered, which is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Loyalty program

The Group operates a loyalty program where domestic distributors accumulate points for purchases made which entitle them to discounts on future purchases from the Group. A contract liability for the award points is recognized at the time of sale. Revenue is recognized when the points are redeemed.

Sales of goods to customer under a finance lease as a manufacturer lessor

The Group sells goods to certain customer under a finance lease as a manufacturer lessor. A manufacturer lessor is a lessor that manufactures the leased assets as part of its dealing activities. A manufacturer lessor that enters into a finance lease with a customer recognizes selling profit or loss in income as follows:

– Revenue is the fair value of the underlying assets or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest.

– Cost of sale is the cost, or carrying amount (if different), of the underlying asset, less the present value of the unguaranteed residual value.

– Selling profit or loss is the difference between revenue and the cost of sale, recognized in accordance with an entity's policy for outright sales to which HKFRS 15 applies.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

Payment to distributors

Consideration payable to a customer should be deducted from revenue unless the payment to a customer is in exchange for a distinct good or service that the customer transfer to the entity. The Group paying for the store decoration fee to decoration companies for distributors is, in substance, a payment on behalf of customer. As the Group does not receive any distinct goods or services from distributors, the payment should be deducted from revenue.

When distributors have committed a minimum sales volume which in turn would request a minimum purchase amount from the Group, the payment is capitalized as "prepayment to distributors" and deducted from revenue on a systematic basis that is consistent with the transfer to the distributors of the goods. When distributors have not committed a minimum sales volume, the payment is deducted from revenue directly.

2.20 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (Note 10).

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss as part of other income (Note 6).

Interest income from financial assets at FVTPL is included in other gains/(losses) (Note 7). Any other interest income is included in other income (Note 6).

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.21 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the entity, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.22 Provisions

Provisions for legal claims and quality assurance warranties are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Dividend distribution

Dividends are made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.26 Share-based payments

The Group operates equity-settled, share-based compensation plans (the "**Pre-IPO Share Scheme**" and the "**Post-IPO Share Awards**"), under which the Group receives services from eligible participants as consideration for equity instruments (shares) of the Group. The fair value of the equity-settled share-based payments for the services received is determined in accordance with HKFRS 2 by reference to the grant date of the equity instruments. It is recognized as an expense and share-based payment reserve respectively. The total amount to be expensed is determined by reference to the fair value of the share options granted:

– excluding any market performance conditions;

– including the impact of any service and non-market performance vesting conditions; and

– excluding the impact of any non-vesting conditions.

Service conditions and non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Pre-IPO Share Scheme is administrated by Yuan V Holdings Limited (the "**Trusty Company**", 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 Option Scheme), which is consolidated by the Group. When the shares are granted but not vested, they are recognized as treasury shares of the Group.

The Post-IPO Share Awards is administrated by Luyuan Inc (the "**Trusty Company 2**", a trust company wholly-owned by a trust in which the Company is the settlor, Well Mount Holdings Limited acts as trustee and the beneficiaries are grantees of the Post-IPO Share Awards), which is consolidated by the Group. When the shares are granted but not vested, they are recognized as treasury shares of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risks), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1.1 Market Risk

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market. Foreign currency risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD and HKD.

The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

	Assets As at December 31,	
	2024 RMB'000	2023 RMB'000
USD		
– Cash and cash equivalents	**31**	119
– Trade receivables	**4,302**	4,631
HKD		
– Cash and cash equivalents	**22,277**	387,606

	Liabilities As at December 31,	
	2024 RMB'000	2023 RMB'000
USD		
– Trade and other payables	**6**	–
HKD		
– Trade and other payables	**233**	23

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market Risk (Continued)

Foreign exchange risk (Continued)

	Impact on profit after tax Year ended December 31,	
	2024	2023
	Increase/ (decrease)	Increase/ (decrease)
	RMB'000	RMB'000
RMB – USD		
Appreciation of RMB by 5%	**(174)**	(177)
Depreciation of RMB by 5%	**174**	177
RMB – HKD		
Appreciation of RMB by 5%	**(825)**	(14,534)
Depreciation of RMB by 5%	**825**	14,534

Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets except for cash and cash equivalents (Note 27), time deposits (Note 26) and restricted cash (Note 27) measured at amortized cost.

Bank borrowings obtained at variable rates expose the Group to cash flow interest-rate risk and bank borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. As at December 31, 2023 and 2024, if interest rates on borrowings with floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax loss/gain of the Group for the year ended December 31, 2023 and 2024 would have changed as follows:

	Impact on profit after tax Year ended December 31,	
	2024	2023
	Decrease/ (increase)	Decrease/ (increase)
	RMB'000	RMB'000
50 basis points higher	**702**	994
50 basis points lower	**(702)**	(994)

As at December 31, 2023 and 2024, the Group's lease liabilities were all carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment

Impairment of financial assets

The Group is exposed to credit risk in relation to its cash, restricted cash, time deposits, trade and notes and lease receivables, other receivables and financial assets measured at FVTPL as well as financial assets measured at FVOCI. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group performed impairment assessment for financial assets and other items under Expected Credit Loss ("**ECL**") model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, is summarized as below:

Cash, restricted cash and time deposits

To manage this risk, the Group only makes transactions with state-owned banks, reputable commercial banks in the PRC and reputable international banks outside of the PRC which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these banks. The expected credit loss is closed to zero.

Trade receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up actions are taken to recover overdue debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivables balances on provision matrix, the trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories of recurring customers and ageing of the new customers.

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. As the credit period is only provided to some customers that have good credit history and the Group evaluates the performance of each customer annually, the Group determines the expected credit losses on these items by using provision matrix, grouped by aging based on revenue recognition date and the value of the pledged asset received from the customers.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As at December 31, 2023 and 2024, on that basis, the loss allowance was determined as follows for trade receivables:

(1) Individual basis

	Within 1 year RMB'000	Over 1 year and within 2 years RMB'000	Over 2 years and within 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
December 31, 2024	**–**	**(2,733)**	**(1,320)**	**(292)**	**(4,345)**
December 31, 2023	(4,583)	(1,370)	(218)	(80)	(6,251)

The expected loss rate on the individual basis was 100% during the years ended December 31, 2023 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(2) Trade receivables with collateral

December 31, 2024	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
Expected loss rate	**0.09%**	**0.49%**	**1.02%**	**5.50%**	
Gross carrying amount (RMB'000)	**39,434**	**141**	**24,738**	**2,319**	**66,632**
Loss allowance provision (RMB'000)	**(35)**	**(1)**	**(252)**	**(127)**	**(415)**

December 31, 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
Expected loss rate	0.04%	0.21%	0.82%	4.44%	
Gross carrying amount (RMB'000)	46,578	24,912	2,002	2,067	75,559
Loss allowance provision (RMB'000)	(19)	(52)	(17)	(92)	(180)

The decrease or increase of expected credit loss rate for trade receivables during the years ended December 31, 2023 and 2024 was mainly due to the increase or decrease of coverage of collateral on trade receivables provided by distributors to the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(3) Trade receivables without collateral- Corporate and Institutional Clients

The Group classifies receivables into several portfolios based on their credit risk characteristics and calculates the expected credit losses on a portfolio basis. Corporate and institutional clients account for a large proportion in 2024, and the risk characteristics are different from other distributors without collateral. Therefore, the trade receivable balances of corporate and institutional customers, as well as bad debts, will be disclosed as a separate portfolio as at December 31, 2024.

December 31, 2024	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
Expected loss rate	3.26%	71.63%	100.00%	100.00%	
Gross carrying amount (RMB'000)	188,551	1,571	1,221	5,434	196,777
Loss allowance provision (RMB'000)	(6,152)	(1,125)	(1,221)	(5,434)	(13,932)

(4) Trade receivables without collateral – Non-Corporate and Institutional Clients

December 31, 2024	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
Expected loss rate	5.84%	87.12%	100.00%	100.00%	
Gross carrying amount (RMB'000)	66,945	947	1,917	–	69,809
Loss allowance provision (RMB'000)	(3,913)	(825)	(1,917)	–	(6,655)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(4) Trade receivables without collateral – Non-Corporate and Institutional Clients (Continued)

December 31, 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
Expected loss rate	5.05%	68.21%	95.46%	100.00%	
Gross carrying amount (RMB'000)	108,834	3,463	24	5,434	117,755
Loss allowance provision (RMB'000)	(5,478)	(2,362)	(22)	(5,434)	(13,296)

The loss allowances for trade receivables for the years ended December 31, 2023 and 2024 as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At beginning of year	**(19,727)**	(22,212)
Provision of impairment	**(5,620)**	(7,788)
Receivables written off as uncollectible	**–**	10,273
At end of year	**(25,347)**	(19,727)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(5) Lease receivables

There is no balance of lease receivables as at December 31, 2024.

December 31, 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
Expected loss rate	–	2.69%	–	–	
Gross carrying amount (RMB'000)	–	9,701	–	–	9,701
Loss allowance provision (RMB'000)	–	(261)	–	–	(261)

The loss allowances for lease receivables for the years ended December 31, 2023 and 2024 as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At beginning of year	**(261)**	(498)
Reversal of impairment	**261**	237
At end of year	**–**	(261)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(6) Non-current trade receivables

December 31, 2024	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
Expected loss rate	**–**	**2.61%**	**–**	**–**	
Gross carrying amount (RMB'000)	**–**	**499**	**–**	**–**	**499**
Loss allowance provision (RMB'000)	**–**	**(13)**	**–**	**–**	**(13)**

December 31, 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
Expected loss rate	2.69%	–	–	–	
Gross carrying amount (RMB'000)	4,699	–	–	–	4,699
Loss allowance provision (RMB'000)	(126)	–	–	–	(126)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(6) *Non-current trade receivables (Continued)*

The loss allowances for non-current trade receivables for the years ended December 31, 2023 and 2024 as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At beginning of year	**(126)**	–
Reversal/(provision) of impairment	**113**	(126)
At end of year	**(13)**	(126)

(7) *Other receivables*

Other receivables mainly comprise deposits and others. For other receivables, the directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(7) Other receivables (Continued)

The loss allowance at December 31, 2023 and 2024 are as follows:

December 31, 2024	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Stage 1			
Included in current assets			
Deposits	**3.04%**	**1,108**	**(34)**
Others	**2.42%**	**6,731**	**(163)**
Included in non-current assets			
Deposits	**3.04%**	**6,294**	**(191)**
		14,133	**(388)**
Stage 3			
Included in current assets			
Receivables from disposal of land use rights	**100.00%**	**14,450**	**(14,450)**
Loans to third parties	**100.00%**	**3,358**	**(3,358)**
Others	**100.00%**	**7,084**	**(7,084)**
		24,892	**(24,892)**
		39,025	**(25,280)**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(7) Other receivables (Continued)

December 31, 2023	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Stage 1			
Included in current assets			
Deposits	2.68%	1,320	(35)
Others	1.62%	4,014	(65)
Included in non-current assets			
Deposits	2.68%	1,512	(41)
		6,846	(141)
Stage 3			
Included in current assets			
Receivables from disposal of land use rights	100.00%	20,000	(20,000)
Loans to third parties	100.00%	3,358	(3,358)
Others	100.00%	7,084	(7,084)
		30,442	(30,442)
		37,288	(30,583)

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
At beginning of year	**(30,583)**	(38,236)
Reversal of impairment	**5,303**	6,337
Write-off amount	**–**	1,316
At end of year	**(25,280)**	(30,583)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(8) Notes receivables

For notes receivables, the directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The loss allowance at December 31, 2023 and 2024 are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At beginning of year	**(112)**	(436)
(Provision)/reversal of impairment	**(85)**	324
At end of year	**(197)**	(112)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk and impairment assessment (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

(9) *Debt instruments at fair value through other comprehensive income*

The loss allowance at December 31, 2023 and 2024 as follows:

	As at December 31,	
	2024	2023
Fair value before provision of impairment (RMB'000)	**42,100**	31,718
Expected loss rate	**0.24%**	0.25%
Loss allowance (RMB'000)	**(100)**	(81)

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At beginning of year	**(81)**	(189)
(Provision)/reversal of impairment	**(19)**	108
At end of year	**(100)**	(81)

No other financial assets carry a significant exposure to credit risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The amount disclosed in the table is the contractual undiscounted cash flows.

	Within 1 year RMB'000	Over 1 year and within 2 years RMB'000	Over 2 years and within 5 years RMB'000	Total RMB'000
As at December 31, 2024				
Borrowings, principal (Note 32)	**742,873**	**3,040**	**256,420**	**1,002,333**
Interest payments on borrowings	**9,113**	**5,687**	**16,807**	**31,607**
Trade and notes payables (Note 28)	**1,412,439**	**–**	**–**	**1,412,439**
Other payables excluding accrued payroll and other taxes (Note 28)	**142,671**	**–**	**–**	**142,671**
Lease liabilities (Note 15)	**6,092**	**5,607**	**6,623**	**18,322**
	2,313,188	**14,334**	**279,850**	**2,607,372**
As at December 31, 2023				
Borrowings, principal (Note 32)	166,027	362,319	115,000	643,346
Interest payments on borrowings	18,527	16,148	2,671	37,346
Trade and notes payables (Note 28)	1,341,258	–	–	1,341,258
Other payables excluding accrued payroll and other taxes (Note 28)	86,783	–	–	86,783
Lease liabilities (Note 15)	3,526	1,996	2,260	7,782
	1,616,121	380,463	119,931	2,116,515

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium and other reserves on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2024.

The gearing ratios on December 31, 2023 and 2024 of the Group were as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Borrowings	**1,002,333**	643,346
Leases liabilities	**17,385**	7,369
Total debt	**1,019,718**	650,715
Total equity	**1,497,732**	1,527,565
Gearing ratio	**68%**	43%

The increase in gearing ratio from December 31, 2023 to December 31, 2024 was mainly resulted from the increase of borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at December 31, 2023 and 2024 by level of the inputs to valuation techniques used to measure fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
December 31, 2024				
Wealth management products, structured deposits and certificate of deposits	**–**	**4,515**	**487,144**	**491,659**
Debt instruments at fair value through other comprehensive income	**–**	**–**	**42,000**	**42,000**
Total	**–**	**4,515**	**529,144**	**533,659**
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
Total	–	2,416	574,547	576,963

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The valuation technique is discounted cash flows that reflects the credit risk of various counterparties.

(c) Financial instruments in level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 items as at December 31, 2023 and 2024:

	Certificate of deposits RMB'000	Notes receivables RMB'000	Total RMB'000
Net opening balance as at January 1, 2023	470,045	95,229	565,274
Acquisitions	153,879	759,174	913,053
Redemption	(90,000)	(824,019)	(914,019)
Net fair value gains on financial assets at FVTPL	8,986	–	8,986
Change in fair value through OCI	–	1,145	1,145
Change in ECL	–	108	108
Net closing balance as at December 31, 2023	542,910	31,637	574,547
Net opening balance as at January 1, 2024	**542,910**	**31,637**	**574,547**
Acquisitions	**391,555**	**1,084,279**	**1,475,834**
Redemption	**(466,740)**	**(1,073,930)**	**(1,540,670)**
Net fair value gains on financial assets at FVTPL	**19,419**	**–**	**19,419**
Change in fair value through OCI	**–**	**33**	**33**
Change in ECL	**–**	**(19)**	**(19)**
Net closing balance as at December 31, 2024	**487,144**	**42,000**	**529,144**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of below financial instruments:

Description	Fair value As at December 31, 2024 RMB'000	Fair value As at December 31, 2023 RMB'000	Significant unobservable inputs	Range of inputs Year ended December 31, 2024	Range of inputs Year ended December 31, 2023	Relationship of unobservable inputs to fair value
Certificate of deposits	**487,144**	542,910	Expected rate of return	**1.45%–3.45%**	2.25%–4.00%	The higher the expected rate, the higher the fair value
Notes receivables (debt instruments at fair value through other comprehensive income)	**42,000**	31,637	Discount rate	**1.74%–1.78%**	2.28%–2.48%	The higher the discount rate, the lower the fair value

If the expected rate of return had been 10% higher/lower, the fair values of wealth management products as at December 31, 2023 and 2024 would have been approximately RMB1,699,000 and RMB1,194,000 higher/lower, respectively.

If the discount rate had been 10% higher/lower, the fair values of notes receivables as on December 31, 2023 and 2024 would have been approximately RMB75,000 and RMB74,000 lower/higher, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Current and deferred income tax

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for corporate income tax. There are transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that we initially recorded, such difference will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

4.2 Impairment of trade receivables and other receivables

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables and with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

5 REVENUE AND SEGMENT REPORTING

5.1 Disaggregation of revenue from contract with customers

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Sales of goods	**5,034,752**	5,017,533
Revenue from services	**37,204**	65,449
	5,071,956	5,082,982
Timing of revenue recognition		
At point in time	**5,034,752**	5,017,533
Over time	**37,204**	65,449
	5,071,956	5,082,982

Information about major customers

In 2023 and 2024, no individual customer's revenue contributed over 10% of the Group's revenue.

5.2 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the 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 THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME AND EXPENSE

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Other income		
Income from obsolete material and work in progress	**8,080**	7,222
Rental income from operating lease	**2,046**	1,810
Interest income from time deposits	**5,039**	2,351
Interest income from financing lease and long-term receivables	**616**	1,141
Government grants (Note)	**62,667**	45,318
Others	**9,693**	4,878
	88,141	62,720
Other expense		
Cost of obsolete material and work in progress	**(6,722)**	(5,131)
Others	**(5,560)**	(1,391)
	(12,282)	(6,522)

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

7 OTHER GAINS – NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Exchange gains	**733**	815
Fair value changes on financial assets at fair value through profit or loss	**20,231**	15,585
Donation	**(300)**	(529)
Gains/(losses) on disposal of property, plant and equipment and right-of-use assets	**198**	(209)
Others – Net	**(4,980)**	(6,934)
	15,882	8,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

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

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	**4,073,292**	4,069,415
Employee benefits expenses (Note 9)	**364,282**	330,078
Advertising expense	**106,276**	110,287
Outsourcing labor fee	**133,115**	147,993
Freight	**31,944**	41,490
Travel expense	**43,968**	43,366
Consulting costs	**18,767**	14,882
Depreciation of property, plant and equipment (Note 14)	**100,036**	85,946
Amortization of intangible assets (Note 16)	**798**	930
Depreciation of right-of-use assets (Note 15)	**6,936**	4,850
Expense relating to short-term leases or low-value leases (Note 15)	**4,214**	5,353
Design fee	**64,170**	50,901
Warranty	**5,023**	6,876
Tax and surcharges	**34,416**	19,497
Office expenses	**13,341**	19,958
Expense relating to listing	**–**	24,223
Auditors' remuneration		
– Audit services	**2,243**	2,424
– Non-audit services	**657**	350
Other expenses	**50,100**	27,791
Total cost of sales, selling and marketing costs, administrative expenses and research and development costs	**5,053,578**	5,006,610

9 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**288,679**	275,696
Defined contribution plans	**23,236**	20,932
Other social security costs, housing benefits and other employee benefits	**14,443**	15,485
Share-based payment expenses (Note 34)	**37,924**	17,965
	364,282	330,078

9 EMPLOYEE BENEFIT EXPENSE (Continued)

The employees of the Group in the PRC are members of state-managed defined contribution scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. Meanwhile, the Group has arranged for its Hong Kong employees to join the MPF Scheme.

There were no forfeited contributions for the defined contribution scheme that may be used by the Group to reduce the existing level of contributions as the contributions are fully vested to the employees upon payment.

During the year, there were no loans, quasi-loan and other dealing arrangements entered into by the Company or subsidiary undertaking of the Company in favor of the directors or bodies corporate controlled by or entities connected with the directors (2023: Nil).

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2023: Nil).

(a) Directors' emoluments

	For the year ended December 31, 2024				
	Fees HKD'000	Salaries and other allowance HKD'000	Retirement benefit scheme contribution HKD'000	Share-based payment expenses HKD'000	Total HKD'000
Executive Directors:					
Mr. Ni Jie	–	1,669	–	–	1,669
Ms. Hu Jihong	–	1,328	–	–	1,328
Mr. Chen Guosheng	–	1,300	24	4,227	5,551
Ms. Ni Boyuan	–	706	20	212	938
Non-executive Director:					
Mr. David Ross Dingman (resigned on March 18, 2024)	–	–	–	–	–
Independent non-executive Directors:					
Mr. Peng Haitao	106	–	–	–	106
Mr. Liu Bobin	106	–	–	–	106
Mr. Wu Xiaoya	106	–	–	–	106
Mr. Chan Chi Fung Leo	144	–	–	–	144
	462	5,003	44	4,439	9,948

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' emoluments (Continued)

	For the year ended December 31, 2023				
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive Directors:					
Mr. Ni Jie	–	1,568	–	–	1,568
Ms. Hu Jihong	–	1,248	–	–	1,248
Mr. Chen Guosheng	–	1,152	17	1,853	3,022
Non-executive Director:					
Mr. David Ross Dingman (resigned on March 18, 2024)	–	–	–	–	–
Independent non-executive Directors:					
Mr. Peng Haitao	27	–	–	–	27
Mr. Liu Bobin	27	–	–	–	27
Mr. Wu Xiaoya	27	–	–	–	27
Mr. Chan Chi Fung Leo	70	–	–	–	70
	151	3,968	17	1,853	5,989

(i) Ms. Ni Boyuan was appointed as the executive director of the Company on June 26, 2024.

(ii) Mr. Peng Haitao, Mr. Liu Bobin and Mr. Wu Xiaoya were appointed as independent non-executive directors of the Company in July 2022.

(iii) Mr. Chan Chi Fung Leo was appointed as an independent non-executive director of the Company in June 2023.

(iv) Mr. David Ross Dingman was appointed as a non-executive Director of the Company with effect from April 8, 2022. Mr. David Ross Dingman has resigned from non-executive director since March 18, 2024.

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Company and the Group. The non-executive directors and non-executive directors' emoluments shown above were for their services as the directors.

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' emoluments (Continued)

There were no amounts paid or payables by the Group to the directors or any of the five highest paid individuals as disclosed in Note 9(b) to the consolidated financial statements as an inducement to join or upon joining the Group or as compensation for the loss of office during the years ended December 31, 2023 and 2024.

There were no arrangements under which a director or the chief executive waived or agreed to waive any emoluments during the years ended December 31, 2023 and 2024.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years include four (2023: three) directors whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining one (2023: two) individual during the years is as follows:

	Year ended December 31,	
	2024 HKD'000	2023 RMB'000
Salaries, allowances and benefits in kind	**1,090**	1,856
Defined contribution plans	**12**	18
Other social security costs, housing benefits and other employee benefits	**11**	20
Share-based payment expenses (Note 34)	**3,443**	2,832
	4,556	4,726

The number of the highest paid employees who are not directors whose remuneration fell within the following band is as follows:

	Year ended December 31,	
	2024	2023
Nil to HKD1,000,000	**–**	–
HKD1,000,001 to HKD2,000,000	**–**	–
HKD2,000,001 to HKD2,500,000	**–**	1
Over HKD2,500,001	**1**	1
	1	2

10 FINANCE INCOME – NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Finance costs		
– Interest on bank loans and other loans	**(21,617)**	(21,729)
– Interest on lease liabilities	**(366)**	(255)
Total finance costs	**(21,983)**	(21,984)
Finance income		
– Interest income on bank deposits	**38,400**	32,661
Net finance income	**16,417**	10,677

11 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at December 31, 2023 and 2024 are as follows:

Name of subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation/ registration	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power			Principal activities	Note
					As at December 31,		As the date of this report		
					2024	2023			
Luyuan International Limited ("**Luyuan BVI**")	British Virgin Island	February 16, 2009	USD3	USD3	**100%**	100%	100%	Investment holding	
Luyuan International (Hong Kong) Limited ("**Luyuan HK**")	Hong Kong, the PRC	February 24, 2009	HKD713,944,000	HKD713,944,000	**100%**	100%	100%	Investment holding	
Zhejiang Luyuan Electric Vehicle Co., Ltd. ("**Zhejiang Luyuan**")	Jinhua, the PRC	May 12, 2003	USD102,000,000	USD102,000,000	**100%**	100%	100%	Manufacture of electric vehicles and accessories	(vi)
Zhejiang Luyuan Information Technology Co., Ltd.	Jinhua, the PRC	May 28, 2015	RMB280,000,000	RMB280,000,000	**100%**	100%	100%	Sale of electric vehicles and accessories	(v)
Luyuan Electric Vehicle (Shandong) Co., Ltd. ("**Shandong Luyuan**")	Linyi, the PRC	August 25, 2008	RMB436,000,000	RMB436,000,000	**100%**	100%	100%	Manufacture of electric vehicles and accessories	(v)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation/ registration	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power			Principal activities	Note
					As at December 31,		As the date of this report		
					2024	2023			
Luyuan Electric Vehicle (Guangdong) Co., Ltd. ("**Guangdong Luyuan**")	Dongguan, the PRC	March 26, 2013	RMB10,000,000	RMB10,000,000	–	–	–	Manufacture of electric vehicles and accessories	(i), (v)
Guangxi Luyuan Electric Vehicle Co., Ltd. ("**Guangxi Luyuan**")	Guigang, the PRC	August 28, 2019	RMB170,000,000	RMB170,000,000	100%	100%	100%	Manufacture of electric vehicles and accessories	(v)
Jinhua Yicheng Trading Co., Ltd. ("**Jinhua Yicheng**")	Jinhua, the PRC	July 15, 2015	RMB1,000,000	RMB1,000,000	100%	100%	100%	Sale of electric vehicles and accessories	(v)
Zhejiang Luyuan Electric Vehicle Sales Service Co., Ltd. (Former name: Ludong (Jinhua) New Energy Technology Co., Ltd.) ("**Luyuan Service**")	Jinhua, the PRC	August 16, 2021	RMB35,000,000	RMB35,000,000	100%	100%	100%	Sale of electric vehicles and accessories	(v)
Zhejiang Luyuan International Trade Co., Ltd. ("**Luyuan Int**")	Jinhua, the PRC	March 22, 2022	RMB10,000,000	–	100%	100%	100%	Import and export of goods	(v)
Luyuan Technology Holding (Zhejiang) Co., Ltd.	Jinhua, the PRC	December 7, 2021	RMB110,000,000	RMB110,000,000	100%	100%	100%	Investment holding	(vi)
Chongqing Luyuan Electric Vehicle Co., Ltd. ("**Chongqing Luyuan**")	Chongqing, the PRC	October 25, 2023	RMB200,000,000	RMB200,000,000	100%	100%	100%	Manufacture of electric vehicles and accessories	(ii), (v)
Rainbow International Trade (Guangxi) Co., Ltd. ("**Rainbow Int**")	Guigang, the PRC	October 28, 2024	RMB5,000,000	–	100%	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Nanning Jiuhong Motor Manufacturing Co., Ltd. ("**Luyuan Jiuhong**")	Nanning, the PRC	November 26, 2024	RMB10,000,000	–	100%	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Chongqing Luyuan Xinsheng Electric Vehicle Sales Co., Ltd.	Chongqing, the PRC	December 13, 2024	RMB1,000,000	–	100%	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Hangzhou Luyuan Electric Technology Co., Ltd. ("**Hangzhou Luyuan**")	Hangzhou, the PRC	August 5, 2024	RMB10,000,000	RMB500,000	100%	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Greenlyva Information Technology (Zhejiang) Co., Ltd. ("**Greenlyva**")	Hangzhou, the PRC	September 11, 2024	RMB10,000,000	RMB10,000,000	100%	–	100%	Sale of electric vehicles and accessories	(ii), (v)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation/ registration	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power			Principal activities	Note
					As at December 31,		As the date of this report		
					2024	2023			
Hangzhou Lyva Information Technology Service Co., Ltd. ("**Hangzhou Lyva**")	Hangzhou, the PRC	October 21, 2024	RMB1,000,000	–	**100%**	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Hangzhou Lyva Hangyi Information Technology Service Co., Ltd. ("**Lyva Hangyi**")	Hangzhou, the PRC	November 4, 2024	RMB500,000	–	**100%**	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Beijing Lyva Information Technology Service Co., Ltd. ("**Beijing Lyva**")	Beijing, the PRC	November 21, 2024	RMB1,000,000	–	**100%**	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Jinhua Lyva Information Technology Service Co., Ltd. ("**Jinhua Lyva**")	Jinhua, the PRC	December 3, 2024	RMB1,000,000	–	**100%**	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Zhejiang Yuanxing Information Technology Co., Ltd. ("**Yuanxingzhe**")	Hangzhou, the PRC	September 11, 2024	RMB10,000,000	RMB10,000,000	**100%**	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Luyuan Electric Vehicle (Tianjin) Co., Ltd. ("**Tianjin Luyuan**")	Tianjin, the PRC	June 27, 2024	RMB10,000,000	RMB1,000,000	**100%**	–	100%	Sale of electric vehicles and accessories	(ii), (v)
Chengdu Luyuan Electric Vehicle Sales Co., Ltd. ("**Chengdu Luyuan**")	Chengdu, the PRC	July 12, 2024	RMB5,000,000	RMB2,000,000	**60%**	–	60%	Sale of electric vehicles and accessories	(ii), (v)

11 SUBSIDIARIES (Continued)

Notes:

(i) In 2023, the Group deregistered Guangdong Luyuan.

(ii) Subsidiaries established during the years ended December 31, 2023 and 2024.

(iii) On July 20, 2023, Best Expand transferred 16,736,000 shares to the Trusty Company at nil consideration for the purpose of settling options when exercised under the Pre-IPO Share Scheme (Note 21 (d) and Note 34). The Trusty Company is consolidated by the Group in accordance with the principles in Note 2.2 (a).

(iv) On July 3, 2024, the Company, through a resolution of the Board of Directors, granted 3,212,500 Post-IPO Share Awards to certain eligible participants of the Group under the Post-IPO Share Scheme through Trusty Company 2 using treasury shares repurchased during the year (Note 21 (d) and Note 34). The Trusty Company 2 is consolidated by the Group in accordance with the principles in Note 2.2 (a).

(v) These entities are PRC limited liability companies.

(vi) These entities are wholly owned foreign enterprises in the PRC.

12 INCOME TAX EXPENSES

This note provides an analysis of the Group's income tax expenses, and shows what amounts are recognized directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
PRC corporate income tax	**17,806**	626
Deferred income tax (Note 25)	**(8,443)**	4,907
Total income tax expenses	**9,363**	5,533

(a) Cayman Islands income tax

Under the current laws of the Cayman Islands, the Company is not subject to tax on the Company's income or capital gains. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(b) British Virgin Islands income tax

Under the current laws of the British Virgin Islands, our subsidiary incorporated in British Virgin Islands is not subject to income tax.

12 INCOME TAX EXPENSES (Continued)

(c) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented.

(d) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2023 and 2024, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the year ended December 31, 2023 and 2024 except:

- In 2021, Zhejiang Luyuan applied the extension of the high-tech certificate originally obtained in December 2009. The latest high-tech certificate was obtained in December 2024 with an effective period for 3 years. The income tax rate for the year ended December 31, 2023 and 2024 is 15%.

- In 2020, Shandong Luyuan applied the extension of the high-tech certificate originally obtained in December 2017. The latest high-tech certificate was obtained in November 2023 with an effective period for 3 years. The income tax rate for the year ended December 31, 2023 and 2024 is 15%.

- Jinhua Yicheng and Luyuan Service are small low-profit enterprises during the years ended December 31, 2023. Jinhua Yicheng, Luyuan Service, Luyuan Int, Rainbow Int, Luyuan Jiuhong, Tianjin Luyuan, Chengdu Luyuan, Chongqing Luyuan, Lyva Hangyi, Yuanxingzhe, Hangzhou lyva, Beijing Lyva, Jinhua Lyva, Greenlyva, Hangzhou Luyuan are small low-profit enterprises during the year ended December 31,2024. During the period from January 1, 2023 to December 31, 2024, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, should be subject to enterprise income tax at 20% tax rate.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, for enterprises engaging in research and development activities, in addition to the actual incurred R&D expense, an additional deduction of 100% could be applied on their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended December 31, 2023 and 2024. The Group has made its best estimate for the super deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the period.

12 INCOME TAX EXPENSES (Continued)

(e) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Luyuan HK applied the 5% benefit treaty rate on the dividend repatriation during the year ended December 31, 2024.

As at December 31, 2024, deferred tax expenses and a corresponding deferred tax liability (Note 25) of RMB2,750,000 had been recognized in respect of the withholding tax payable on the retained earnings of the Group's PRC subsidiaries generated which the directors expect to distribute outside the PRC in the foreseeable future.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

The tax on the Group' s profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the consolidated entities as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**125,431**	151,140
Income tax calculated at statutory rate of 25%	**31,359**	37,786
Tax effect of preferential tax rate	**(10,546)**	(2,893)
Effect of tax rate difference	**1,868**	957
Super deduction in respect of R&D expenditures	**(29,683)**	(37,872)
Withholding tax on dividend payments	**10,589**	–
Additional deduction of 100% of the wages paid to disabled employees	**(427)**	(473)
Share of results of associates	**293**	(18)
Non-deductible expenses	**1,044**	3,820
Utilization of previously unrecognized tax losses and timing difference	**(654)**	–
Tax losses and temporary differences for which no deferred tax assets were recognized	**5,520**	4,226
Total income tax expense	**9,363**	5,533

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share ("**EPS**") is calculated by dividing the profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each period. In determining the weighted average number of ordinary shares in issue during the years ended December 31, 2023 and 2024, the 288,000,000 shares issued and allotted through capitalization of the share premium account of the Company upon listing on the Stock Exchange on the Listing Date (Note 33) have been regarded as if these shares were in issue since January 1, 2023.

	Year ended December 31,	
	2024	2023
Profit attributable to equity holders of the Company (RMB'000)	**116,757**	145,607
Weighted average number of shares in issue (in thousand)	**395,120**	335,859
Basic earnings per share (RMB per share)	**0.30**	0.43

(b) Dilute earnings per share

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

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

	Year ended December 31,	
	2024	2023
Profit attributable to equity holders of the Company (RMB'000)	**116,757**	145,607
Weighted average number of ordinary shares in issue (in thousand)	**395,120**	335,859
Adjustments for share-based compensation (in thousand)	**7,383**	1,651
Weighted average number of ordinary shares for the calculation of diluted EPS (in thousand)	**402,503**	337,510
Diluted earnings per share (RMB per share)	**0.29**	0.43

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery & equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Decoration and leasehold improvement RMB'000	Total RMB'000
Cost							
As at January 1, 2023	663,502	457,103	30,335	18,523	57,718	23,793	1,250,974
Additions	10,479	2	375	–	179,046	11,081	200,983
Transfers	40,371	91,919	17,200	284	(149,774)	–	–
Disposals	–	(4,839)	(1,644)	(436)	–	–	(6,919)
As at December 31, 2023	714,352	544,185	46,266	18,371	86,990	34,874	1,445,038
Accumulated depreciation							
As at January 1, 2023	(161,784)	(192,119)	(21,557)	(15,728)	–	(15,661)	(406,849)
Depreciation charge	(31,482)	(46,655)	(3,709)	(849)	–	(3,251)	(85,946)
Disposals	–	4,427	1,557	414	–	–	6,398
As at December 31, 2023	(193,266)	(234,347)	(23,709)	(16,163)	–	(18,912)	(486,397)
Net book value							
As at December 31, 2023	521,086	309,838	22,557	2,208	86,990	15,962	958,641
Cost							
As at January 1, 2024	**714,352**	**544,185**	**46,266**	**18,371**	**86,990**	**34,874**	**1,445,038**
Additions	**–**	**11,158**	**190**	**113**	**375,725**	**12,389**	**399,575**
Transfers	**8,148**	**94,361**	**4,146**	**372**	**(107,027)**	**–**	**–**
Disposals	**–**	**(13,043)**	**(3,687)**	**(11,456)**	**–**	**–**	**(28,186)**
As at December 31, 2024	**722,500**	**636,661**	**46,915**	**7,400**	**355,688**	**47,263**	**1,816,427**
Accumulated depreciation							
As at January 1, 2024	**(193,266)**	**(234,347)**	**(23,709)**	**(16,163)**	**–**	**(18,912)**	**(486,397)**
Depreciation charge	**(29,330)**	**(63,501)**	**(4,318)**	**(568)**	**–**	**(3,366)**	**(101,083)**
Disposals	**–**	**12,102**	**3,471**	**10,814**	**–**	**–**	**26,387**
As at December 31, 2024	**(222,596)**	**(285,746)**	**(24,556)**	**(5,917)**	**–**	**(22,278)**	**(561,093)**
Net book value							
As at December 31, 2024	**499,904**	**350,915**	**22,359**	**1,483**	**355,688**	**24,985**	**1,255,334**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**51,031**	48,463
Administrative expenses	**13,988**	13,685
Selling and marketing costs	**6,463**	5,544
Research and development costs	**28,554**	18,254
Other expense	**1,047**	–
	101,083	85,946

As at December 31, 2023 and 2024, the net book value of property, plant and equipment and right-of-use assets which were pledged as collateral for the Group's borrowings is as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Net book value of property, plant and equipment pledged as collateral	**463,009**	495,626
Net book value of right-of-use assets pledged as collateral (Note 15)	**86,359**	88,364
Borrowings secured by property, plant and equipment and right-of-use assets (Note 32)	**388,500**	434,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LEASE

(a) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
– Land use rights	**127,457**	88,364
– Leased property	**17,683**	8,128
	145,140	96,492
Lease liabilities		
Current	**(5,600)**	(3,308)
Non-current	**(11,785)**	(4,061)
	(17,385)	(7,369)

(b) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Land use rights	**2,881**	2,180
– Leased property	**4,055**	2,670
	6,936	4,850
Interest expense (included in finance costs – Note 10)	**(366)**	(255)
Expense relating to short-term leases or low-value assets (included in expenses by nature – Note 8)	**4,214**	5,353

15 LEASE (Continued)

(b) Amounts recognized in the consolidated income statement (Continued)

The carrying amounts of the Group's right-of-use assets and the movements during the years ended December 31, 2023 and 2024 are as follows, respectively:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**96,492**	95,722
Additions	**57,402**	6,855
Depreciation charge	**(6,936)**	(4,850)
Disposals	**(1,818)**	(1,235)
At the end of the year	**145,140**	96,492

(c) Amounts recognized in the consolidated statement of cash flows

The consolidated statement of cash flows show the following amounts relating to leases:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cash used in operating activities for leases	**4,387**	5,438
Cash used in investing activities for leases	**41,978**	–
Cash used in financing activities for leases	**3,906**	3,561
Total cash outflows for leases	**50,271**	8,999

(d) The Group's leasing activities and how these are accounted for:

The Group leases various offices, apartments, warehouses and stores. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(e) Part of right-of-use assets are pledged as collateral for the Group's borrowings (Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS

	Software RMB'000
At January 1, 2023	
Cost	9,400
Accumulated amortization	(7,689)
Net book amount	1,711
Year ended December 31, 2023	
Opening net book amount	1,711
Additions	287
Amortization charge (Note 8)	(930)
Closing net book amount	1,068
At December 31, 2023	
Cost	6,750
Accumulated amortization	(5,682)
Net book amount	1,068
At January 1, 2024	
Cost	**6,750**
Accumulated amortization	**(5,682)**
Net book amount	**1,068**
Year ended December 31, 2024	
Opening net book amount	**1,068**
Additions	**503**
Amortization charge (Note 8)	**(798)**
Closing net book amount	**773**
At December 31, 2024	
Cost	**7,253**
Accumulated amortization	**(6,480)**
Net book amount	**773**

16 INTANGIBLE ASSETS (Continued)

Amortization expenses have been charged to the consolidated income statement as follows:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Administrative expenses	**798**	930

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Financial assets			
Financial assets at amortized cost:			
Trade and notes receivables	23	**360,788**	214,059
Lease receivables	23	**–**	9,439
Other receivables excluding prepayments	24	**13,745**	6,704
Time deposits	26	**323,850**	243,800
Cash and cash equivalents	27	**554,505**	994,968
Restricted cash	27	**384,940**	168,980
Financial assets at fair value:			
Financial assets at fair value through profit or loss (FVTPL)	19	**491,659**	545,326
Debt instruments at fair value through other comprehensive income	20	**42,000**	31,637
		2,171,487	2,214,913

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Financial liabilities			
Financial liabilities at amortized cost:			
Borrowings	32	**1,002,333**	643,346
Trade and notes payables	28	**1,412,439**	1,341,258
Other payables	28	**142,671**	86,783
Lease liabilities	15	**17,385**	7,369
		2,574,828	2,078,756

18 INVESTMENTS IN ASSOCIATES

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Opening balance	**1,517**	1,444
Acquisition	**23,400**	–
Share of results	**(1,157)**	73
Ending balance	**23,760**	1,517

The particulars of the associates of the Group during the years ended December 31, 2023 and 2024, which are unlisted, are set out as follows:

Company name	Country/date of incorporation	% interests held As at December 31, 2024	2023	Principle activities
Jinhua Luchi New Energy Technology Co., Ltd. ("**Jinhua Luchi**") (a)	Jinhua city, the PRC/ November 9, 2016	**16**	16	Development and manufacture of vehicle batteries
Shenzhen Dudu Internet of Things Technology Co., Ltd. ("**Shenzhen Dudu**") (b)	Shenzhen city, the PRC/March12, 2018	**9**	–	Electric scooter battery swapping service

(a) Jinhua Luchi has been accounted for using the equity method since the Group has significant influence over Jinhua Luchi through its representation on the Board of Directors of Jinhua Luchi.

(b) In July 2024, The Group acquired 9% equity interests of Shenzhen Dudu at a total consideration of RMB23,400,000. Shenzhen Dudu has been accounted for using the equity method since the Group has significant influence over Shenzhen Dudu through its representation on the Board of Directors of Shenzhen Dudu.

18 INVESTMENTS IN ASSOCIATES (Continued)

The table below provide summarized financial information for the associate Shenzhen Dudu. The information disclosed reflects the amounts presented in the financial statements of Shenzhen Dudu and not the Group's share of those amounts. The amounts have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

	The period from the acquisition date to December 31, 2024 RMB'000
Current assets	
Cash and cash equivalents	**705**
Other current assets	**19,827**
Non-current assets	**52,652**
Current liabilities	
Financial liabilities	**7,196**
Other current liabilities	**9,504**
Total current liabilities	**16,700**
Non-current liabilities	
Financial liabilities	**5,795**
Other non-current liabilities	**–**
Total non-current liabilities	**5,795**
Net assets	**50,689**
Revenue	**17,375**
Cost of sales	**(10,810)**
Selling and marketing costs	**(10,593)**
Administrative expenses	**(8,560)**
Loss for the period	**(13,262)**
Total comprehensive income	**(13,262)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENTS IN ASSOCIATES (Continued)

The carrying amount of equity-accounted investments in Shenzhen Dudu has changed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Beginning of the period	**–**	–
Additions	**23,400**	–
Share of results	**(1,194)**	–
Dividends paid	**–**	–
Ending balance	**22,206**	–

The table below provide summarized financial information for the associate Jinhua Luchi which is not material to the Group.

	Total assets RMB'000	Total liabilities RMB'000	Total revenue RMB'000	Net profit RMB'000
Year ended December 31, 2024	**24,588**	**(18,416)**	**38,321**	**226**
Year ended December 31, 2023	19,884	(14,470)	32,791	456

There were no commitments or contingent liabilities relating to the Group's interests in the associates as at December 31, 2023 and 2024.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Certificate of deposits	**487,144**	542,910
Wealth management products and structured deposits	**4,515**	2,416
	491,659	545,326

As at December 31, 2023 and 2024, the Group's wealth management products and structured deposits and certificate of deposits were pledged as security for the Group's notes payable is as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
– Notes payable secured by wealth management products and structured deposits and certificate of deposits	**620,000**	455,000
– Net book value of wealth management products and structured deposits and certificate of deposits pledged as collateral	**467,136**	447,382

20 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Notes receivables	**42,000**	31,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 OTHER RESERVES

Group	Foreign currency translation RMB'000 (Note (a))	Statutory surplus reserve RMB'000 (Note (b))	Other comprehensive income RMB'000	Share-based payment reserves RMB'000 (Note 34)	Treasury shares RMB'000 (Note (d))	Others RMB'000 (Note (c))	Total RMB'000
Balance at January 1, 2023	13,518	103,279	(1,121)	–	–	131,541	247,217
Changes in the fair value of debt instruments at fair value through OCI, net of tax	–	–	859	–	–	–	859
Currency translation differences	(5,444)	–	–	–	–	–	(5,444)
Appropriations to statutory reserve	–	19,208	–	–	–	–	19,208
Share-based payments	–	–	–	17,965	–	–	17,965
Acquisition of shares for Pre-IPO Share Scheme	–	–	–	–	12	(12)	–
Balance at December 31, 2023	8,074	122,487	(262)	17,965	12	131,529	279,805
Balance at January 1, 2024	**8,074**	**122,487**	**(262)**	**17,965**	**12**	**131,529**	**279,805**
Repurchase of treasury shares	**–**	**–**	**–**	**–**	**(91,139)**	**–**	**(91,139)**
Exercise of shares under Pre-IPO Share Scheme	**–**	**–**	**–**	**(7,783)**	**–**	**7,783**	**–**
Acquisition of shares for Post-IPO Share Awards	**–**	**–**	**–**	**–**	**(92,360)**	**–**	**(92,360)**
Changes in the fair value of debt instruments at fair value through OCI, net of tax	**–**	**–**	**25**	**–**	**–**	**–**	**25**
Currency translation differences	**(2,351)**	**–**	**–**	**–**	**–**	**–**	**(2,351)**
Appropriations to statutory reserve	**–**	**16,100**	**–**	**–**	**–**	**–**	**16,100**
Share-based payments	**–**	**–**	**–**	**37,924**	**–**	**–**	**37,924**
Balance at December 31, 2024	**5,723**	**138,587**	**(237)**	**48,106**	**(183,487)**	**139,312**	**148,004**

21 OTHER RESERVES (Continued)

Notes:

(a) Foreign currency translation

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("**SSR**") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilized to offset prior years' losses or to increase paid-in capital. However, SSR shall be maintained at a minimum of 25% of registered capital/share capital after such utilization.

The SSR are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations.

(c) The others included below:

– Merger reserve of RMB145,879,000: Merger reserve represented the net asset value of the subsidiaries comprising the Group acquired by the Company in excess of the nominal value of the Company's shares issued for the interests of the subsidiaries pursuant to the reorganization in 2010.

– Redemption reserve of negative RMB14,338,000: Pursuant to a share subscription agreement dated April 22, 2015 entered into between the Company, New Healthcare PPE and New Power PPE, New Healthcare PPE and New Power PPE subscribed 1,017,961 shares and 1,542,039 shares of the Company, at a total consideration of USD10,811,500. On September 3, 2018, all shares issued to New Healthcare PPE and New Power PPE were repurchased by the Company at a consideration of USD5,154,454.8 and USD7,813,800.0, respectively. The difference between the repurchase consideration and the equity interests held by New Healthcare PPE and New Power PPE was debited to equity as redemption reserve.

– Exercise of shares under Pre-IPO Share Scheme: During the year ended December 31, 2024, 1,303,160 options were exercised by employees of the Group at a total consideration of RMB7,783,000 under the Pre-IPO Share Scheme.

(d) Treasury shares

On July 20, 2023, Best Expand transferred 16,736,000 shares to the Trusty Company at nil consideration for the purpose of settling options when exercised under the Pre-IPO Share Scheme (Note 11 (iii) and Note 34).

On July 3, 2024, the Company, through a resolution of the Board of Directors, granted 3,212,500 Post-IPO Share Awards to certain eligible participants of the Group under the Post-IPO Share Scheme through Trusty Company 2 using treasury shares (Note 11 (iv) and Note 34).

In 2024, Well Mount Holdings Limited, acted as trustee, purchased 14,219,500 shares of the Company at a total consideration of HKD99,892,000 (equal to RMB91,139,000) on-market as instructed by the Company for the purpose of satisfying the Post-IPO Share Awards granted under the Post-IPO Share Scheme.

During the year ended December 31, 2024, the Company repurchased a total of 16,497,000 shares on the Stock Exchange at an aggregate consideration of approximately HKD101,032,000 (equal to RMB92,360,000). All such repurchased shares were held by the Company as treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INVENTORIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Raw materials	**83,885**	61,237
Work in progress	**22,057**	22,365
Finished goods	**196,611**	168,665
Goods in transit	**515**	1,761
	303,068	254,028

No inventory provision was made for the years ended December 31, 2023 and 2024.

During the years ended December 31, 2023 and 2024, inventories recognized as cost of sales amounted to approximately RMB4,069,415,000 and RMB4,073,292,000 respectively.

23 TRADE AND NOTES AND LEASE RECEIVABLES

(a) Trade receivables – current and notes receivables

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Trade receivables – current	**337,563**	199,565
Less: Provision for impairment of receivables – current	**(25,347)**	(19,727)
	312,216	179,838

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Notes receivables	**48,283**	29,790
Less: Provision for impairment of receivables	**(197)**	(112)
	48,086	29,678
	360,302	209,516

23 TRADE AND NOTES AND LEASE RECEIVABLES (Continued)

(a) Trade receivables – current and notes receivables (Continued)

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Less than 1 year	**294,930**	159,912
Between 1 and 2 years	**5,392**	29,745
Between 2 and 3 years	**29,196**	2,327
Over 3 years	**8,045**	7,581
	337,563	199,565

(b) Lease receivables

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Finance lease receivables – current (Note 38 (c))	**–**	9,700
Less: Provision for impairment of receivables – current	**–**	(261)
	–	9,439

During the year ended December 31, 2022, the Group sold goods amounting to RMB16,337,000 to Jinhua Hongzi Investment Holding Co., Ltd. ("**Jinhua Hongzi**") under a finance lease as a manufacturer lessor. The finance lease was with a period of 2 years. There was no new sales under finance leases as a manufacturer lessor during the year ended December 31, 2023 and 2024.

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Less than 1 year	**–**	9,700

23 TRADE AND NOTES AND LEASE RECEIVABLES (Continued)

(c) Trade receivables – non-current

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Trade receivables – non-current	**499**	4,669
Less: Provision for impairment of receivables – non-current	**(13)**	(126)
	486	4,543

During the year ended December 31, 2024, the Group sold goods amounting to RMB13,410,000 to Jinhua Hongzi with a total receivable of RMB13,410,000 under an installment arrangement with a period of 2 years, including a non-current portion of receivable of RMB499,000 as at December 31, 2024.

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Less than 1 year	**–**	4,669
Between 1 and 2 years	**499**	–
	499	4,669

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Non-current		
Prepayments for land use rights, construction and equipment	**60,120**	20,977
Deposits	**6,294**	1,512
Payment of decoration costs (a)	**111,150**	105,250
Less: Provision for impairment of other receivables	**(191)**	(41)
	177,373	127,698
Current		
Prepayments for raw materials	**24,829**	17,436
Prepaid expenses	**105,974**	64,591
Prepaid taxes and surcharges and input VAT to be deducted	**11,966**	11,327
Receivables from disposal of land use rights (b)	**14,450**	20,000
Loans to third parties (c)	**3,358**	3,358
Deposits	**1,108**	1,320
Payment of decoration costs (a)	**87,554**	104,403
Others	**13,815**	11,099
Less: Provision for impairment of other receivables	**(25,089)**	(30,542)
	237,965	202,992
	415,338	330,690

(a) The Group provides reimbursement for store decoration to distributors, which are in substance payment to customer. The reimbursement is capitalized as prepayment to distributors and subsequently deducted from revenue consistent with the method to recognize revenue from sale of products.

(b) In May 2016, the Group transferred two pieces of land use rights located in the development zone of Yinan County to Yinan County Urban State owned Assets Operation Co., Ltd. with a consideration of RMB80 million, among which, RMB60 million had been paid in previous year and RMB5.55 million was paid in 2024. The Group has made full provision for the balances.

(c) Loans to third parties represented the loans to certain distributors, with period ranging from 12 months to 42 months and an annual interest rate ranging from 3.85% to 4.6%. The Group has made a full impairment provision for the loans to third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The maximum exposure to credit risk at each of the reporting period ends is the carrying value of each class of receivables mentioned above.

As at December 31, 2023 and 2024, the fair value of other receivables approximate their carrying amounts.

As at December 31, 2023 and 2024, the carrying amounts of other receivables and prepayments are denominated in RMB, USD and HKD.

25 DEFERRED INCOME TAX

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Deferred tax assets to be recovered		
– within 12 months	**19,481**	14,061
– after 12 months	**13,719**	7,490
Total gross deferred tax assets	**33,200**	21,551
Offset by deferred tax liabilities	**(10,012)**	(9,715)
Net deferred tax assets	**23,188**	11,836
Deferred tax liabilities to be settled		
– within 12 months	**(8,189)**	(9,715)
– after 12 months	**(4,741)**	–
Total gross deferred tax liabilities	**(12,930)**	(9,715)
Offset by deferred tax assets	**10,012**	9,715
Net deferred tax liabilities	**(2,918)**	–
Deferred tax assets, net	**20,270**	11,836

25 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during each of the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Loss allowances for financial assets RMB'000	Lease liabilities RMB'000	Government grants RMB'000	Accrued expenses and warranties RMB'000	Share-based payment RMB'000	Total RMB'000
At December 31, 2022	3,926	11,055	1,299	6,529	1,041	–	23,850
(Charged)/credited to the consolidated income statement	(1,935)	(2,372)	1,109	(2,315)	244	2,970	(2,299)
At December 31, 2023	1,991	8,683	2,408	4,214	1,285	2,970	21,551
At December 31, 2023	**1,991**	**8,683**	**2,408**	**4,214**	**1,285**	**2,970**	**21,551**
Credited to the consolidated income statement	**2,666**	**736**	**1,765**	**1,395**	**115**	**4,972**	**11,649**
At December 31, 2024	**4,657**	**9,419**	**4,173**	**5,609**	**1,400**	**7,942**	**33,200**

The PRC subsidiaries of the Group had unrecognized tax losses available to offset against future profits as follows:

	As at December 31, 2024 RMB'000	2023 RMB'000
2024	**–**	2,787
2025	**3,827**	4,426
2026	**25**	25
2027	**200**	200
2028 and after	**9,052**	2,447
	13,104	9,885

25 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Right-of-use assets RMB'000	Fair value change of financial instruments RMB'000	Depreciation RMB'000	Withholding tax RMB'000	Total RMB'000
At December 31, 2022	(952)	(5,869)	–	–	(6,821)
Charged to OCI	–	(286)	–	–	(286)
Charged to the consolidated income statement	(1,327)	(1,281)	–	–	(2,608)
At December 31, 2023	(2,279)	(7,436)	–	–	(9,715)
At December 31, 2023	**(2,279)**	**(7,436)**	**–**	**–**	**(9,715)**
Charged to OCI	**–**	**(9)**	**–**	**–**	**(9)**
(Charged)/credited to the consolidated income statement	**(981)**	**3,443**	**(2,918)**	**(2,750)**	**(3,206)**
At December 31, 2024	**(3,260)**	**(4,002)**	**(2,918)**	**(2,750)**	**(12,930)**

Net impact to income statement and other comprehensive income

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Deferred income tax assets		
Credited/(charged) to the consolidated income statement	**11,649**	(2,299)
	11,649	(2,299)
Deferred income tax liabilities		
Charged to OCI	**(9)**	(286)
Charged to the consolidated income statement	**(3,206)**	(2,608)
	(3,215)	(2,894)
	8,434	(5,193)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TIME DEPOSITS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Non-current		
Time deposits denominated in RMB	**30,000**	30,000
Current		
Time deposits denominated in RMB	**293,850**	213,800
	323,850	243,800

The balances represented time deposits with period ranging from 7 days to 3 years, with the annual interest rates from 0.7% to 3.30%.

27 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash at bank and on hand		
– denominated in RMB	**917,137**	776,223
– denominated in USD	**31**	119
– denominated in HKD	**22,277**	387,606
	939,445	1,163,948

The effective interest rates on the Group's bank deposits as December 31, 2023 and 2024 were ranging from 0.01% to 1.05%.

Cash and cash equivalents of the Group were determined as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash at bank and on hand	**939,445**	1,163,948
Less: Restricted cash	**(384,940)**	(168,980)
	554,505	994,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CASH AND CASH EQUIVALENTS (Continued)

Restricted cash of the Group comprised of the following:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Guarantee deposits for bank notes	**384,940**	168,980

28 TRADE AND NOTES AND OTHER PAYABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Trade payables	**483,294**	445,558
Notes payable	**929,145**	895,700
Other tax payables	**46,074**	61,577
Payable for equipment	**81,462**	32,942
Deposits	**13,138**	12,270
Accrued expenses	**43,604**	38,776
Accrued payroll	**54,527**	63,275
Others	**4,467**	2,795
	1,655,711	1,552,893

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Less than 1 year	**463,807**	430,663
Between 1 and 2 years	**6,063**	6,121
Between 2 and 3 years	**5,280**	3,175
Over 3 years	**8,144**	5,599
	483,294	445,558

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

28 TRADE AND NOTES AND OTHER PAYABLES (Continued)

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

29 CONTRACT LIABILITIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Advance from distributors for sales of goods	**91,395**	82,710

(a) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Revenue recognized that was included in the contract liability balance at the beginning of the year: sales of goods	**82,710**	96,384

(b) Transaction price allocated to unsatisfied long-term contract

All of the sales and services are for periods of one year or less and the Group does not have material unsatisfied contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 PROVISIONS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Non-current		
Warranty costs	**9,147**	3,395
Current		
Warranty costs	**2,287**	6,306
Provisions for litigation	**75**	254
	2,362	6,560
	11,509	9,955

31 DEFERRED INCOME

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Government grants	**26,135**	21,058

Notes:

(a) Deferred income represents government grants relating to assets and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(b) The amount of amortization charged in other income was shown as follow:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Amortization charged in other income (included in Note 6)	**2,222**	1,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BORROWINGS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
– Bank loans-secured (a)	**376,500**	435,119
– Bank loans-unsecured	**35,000**	48,800
Less: Current portion of long-term borrowings		
– Bank loans-secured (a)	**(152,000)**	(5,400)
– Bank loans-unsecured	**(40)**	(1,200)
Total non-current borrowings	**259,460**	477,319
Borrowings included in current liabilities:		
– Bank loans-secured (a)	**12,287**	10,427
– Bank loans-unsecured	**40,000**	30,000
– Other borrowings (c)	**538,546**	119,000
Add: Current portion of long-term borrowings		
– Banks loans-secured (a)	**152,000**	5,400
– Bank loans-unsecured	**40**	1,200
Total current borrowings	**742,873**	166,027
Total borrowings	**1,002,333**	643,346

Notes:

(a) As at December 31, 2023 and 2024, certain of the Group's bank loans are secured by mortgages over the Group's property, plant and equipment (Note 14), right-of-use assets (Note 15), the Group's equity interests in Guangxi Luyuan and certain patents of the Group.

(b) All the borrowings as at December 31, 2023 and 2024 are denominated in RMB.

(c) The balances of other borrowings represented the borrowings from discount of the bank notes of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BORROWINGS (Continued)

The maturity of non-current borrowings at the reporting dates is as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Between 1 and 2 years	**3,040**	362,319
Between 2 and 3 years	**256,420**	115,000
	259,460	477,319

The weighted average effective interest rates as at December 31, 2023 and 2024 were as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Bank borrowings	**3.48%**	3.67%
Other borrowings	**1.03%**	1.41%

33 SHARE CAPITAL AND SHARE PREMIUM

Issued share capital and share premium

	Number of issued shares	Share capital	Share capital	Share premium
		USD	RMB'000	RMB'000
As at February 18, 2009 (date of incorporation)	1	0.0001	6	–
As at December 31, 2023	426,667,000	426,667	305	688,457
As at December 31, 2024	426,667,000	426,667	305	688,457

34 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Scheme

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 (Note 11 (iii) and Note 21 (d)). 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.

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

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

	Exercise price	Number of options
Outstanding at the beginning of the year	RMB0	16,736,000
Exercised during the year	RMB0	(1,303,160)
Forfeited during the year	RMB0	(111,565)
Granted during the year	–	–
Outstanding at the end of the year	RMB0	15,321,275

34 SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO Share Scheme (Continued)

The estimate of the fair value of the share options granted is measured by an independent valuer based on income approach with key assumptions set out as below on the basis of allocation and analysis comparable companies, together with evidence of public financial information.

	Share options
Expected volatility	59.97%
Option life	10 years
Expected dividends	–
Weighted average cost of capital	14.0%
Lack of marketability discount	5.0%
Risk-free interest rate (based on HKMA Hong Kong Exchange Fund Notes)	3.69%

(b) Post-IPO Share Awards

On July 3, 2024, the Company, through a resolution of the Board of Directors, granted 3,212,500 Post-IPO Share Awards to certain eligible participants of the Group under the Post-IPO Share Scheme by Trusty Company 2 (Note 11 (iv) and Note 21 (d)) at nil consideration. The Post-IPO Share Awards granted to eligible participants will only vest upon the achievement of certain performance criteria. The fair value of the granted Post-IPO Awards was calculated based on the market price of the Company's shares at the respective grant date. The market price of the shares is calculated based on the closing price of the shares as of the date of grant on July 3, 2024 being HKD5.88.

The Post-IPO Share Awards is administrated by the Trusty Company 2, 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 2 transfers the appropriate amount of shares to the eligible participants.

The number of the Post-IPO Share Awards is as follows:

	2024 Number of awards
Outstanding at the beginning of the year	–
Granted during the year	3,212,500
Outstanding at the end of the year	3,212,500

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash generated from operations:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**125,431**	151,140
Adjustments for:		
– Impairment losses on financial assets	**(52)**	908
– Depreciation and amortization (Note 8)	**108,817**	91,726
– Amortization of government grant related to assets (Note 31 (b))	**(2,222)**	(1,899)
– Share of results of associates (Note 18)	**1,157**	(73)
– Finance income – net (Note 10)	**(16,417)**	(10,677)
– Gains/(losses) on disposals of property, plant and equipment and right-of-use assets (Note 7)	**(198)**	209
– Interest income from time deposits (Note 6)	**(5,039)**	(2,351)
– Exchange gains (Note 7)	**(733)**	(815)
– Fair value gains from FVTPL (Note 7)	**(20,231)**	(15,585)
– Share-based payment expenses (Note 34)	**37,924**	17,965
Changes in working capital		
– Trade and notes receivables	**(137,238)**	80,378
– Other receivables and prepayments	**(48,829)**	(103,290)
– Inventories	**(49,040)**	191,644
– Restricted cash	**(78,905)**	(87,160)
– Trade and notes payables	**71,181**	(154,576)
– Contract liabilities	**8,684**	(13,674)
– Other payables and provision	**(15,330)**	22,362
– Debt instruments at FVOCI	**(10,337)**	64,451
Cash (used in)/generated from operations	**(31,377)**	230,683

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Liabilities arising from financing activities

This section sets out an analysis of the movements for each of the periods presented.

	As at December 31, 2024 RMB'000	2023 RMB'000
Cash and cash equivalents	**554,505**	994,968
Borrowings	**(1,002,333)**	(643,346)
Lease liabilities	**(17,385)**	(7,369)
Net (debt)/cash	**(465,213)**	344,253

(c) Net debt reconciliation

Liabilities from financing activities

	Borrowings RMB'000	Lease liabilities RMB'000	Cash and cash equivalents RMB'000	Total RMB'000
Balance as at January 1, 2023	(656,586)	(5,108)	395,038	(266,656)
Net cash flows	34,969	3,561	604,559	643,089
New leases	–	(5,567)	–	(5,567)
Foreign exchange adjustments	–	–	(4,629)	(4,629)
Interest expense	(21,729)	(255)	–	(21,984)
Balance as at December 31, 2023	(643,346)	(7,369)	994,968	344,253
Balance as at January 1, 2024	**(643,346)**	**(7,369)**	**994,968**	**344,253**
Net cash flows	**(337,370)**	**3,906**	**(438,846)**	**(772,310)**
New leases	**–**	**(15,426)**	**–**	**(15,426)**
Foreign exchange adjustments	**–**	**–**	**(1,617)**	**(1,617)**
Interest expense	**(21,617)**	**(366)**	**–**	**(21,983)**
Other changes	**–**	**1,870**	**–**	**1,870**
Balance as at December 31, 2024	**(1,002,333)**	**(17,385)**	**554,505**	**(465,213)**

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Non-cash investing and financing activities

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loans to a related party settled by fixed assets (Note 38(b))	**–**	11,000

36 COMMITMENTS

(a) Property development expenditure commitments

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Contracted but not provided for	**154,700**	16,884

(b) Non-cancellable lease

At the balance sheet dates, lease commitments for the Group for leases not yet commenced or short-term leases and low-value leases are as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**2,114**	726

37 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of December 31, 2023 and 2024.

38 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship with the Group
Jinhua Luchi (Note 18)	Associate
Linyi Luyuan	(Note)
Ms. Wang Jing	Minority shareholder of Chengdu Luyuan
Shenzhen Dudu (Note 18)	Associate
Sichuan Ronglu Yixing Trade Co., Ltd.	Controlled by Ms. Wang Jing

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

(b) Transactions with related parties

The Group has the following related party transactions:

(i) Purchase of raw materials and services

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Jinhua Luchi	**910**	2,843

(ii) Revenue from selling products and services

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Sichuan Ronglu Yixing Trade Co., Ltd.	**12,255**	–
Shenzhen Dudu	**80**	–
	12,335	–

38 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

(iii) Repayment of loans by a related party

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Linyi Luyuan	**–**	11,000

(c) Due from related parties

(i) Trade Receivables

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Sichuan Ronglu Yixing Trade Co., Ltd.	**4,451**	–

(ii) Other Receivables

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Ms. Wang Jing (Note)	**2,000**	–

Note: As at December 31, 2024, the above other receivables amounting to RMB2 million represented the equity investment in Chengdu Luyuan due from Ms. Wang Jing.

(iii) Trade Payables

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Jinhua Luchi	**868**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, vice presidents and secretary of the Board of Directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**6,733**	6,724
Retirement benefit scheme contribution	**96**	87
Share-based payment expenses (Note 34)	**9,866**	4,685
	16,695	11,496

39 DIVIDENDS

No dividend has been paid or declared by the Company during the years ended December 31, 2023 and 2024.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2024 of HKD0.15 per ordinary share, in an aggregate amount of approximately HKD61.5 million, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting in May 2025.

40 SUBSEQUENT EVENTS

On January 20, 2025, the Board of Directors had resolved to grant 5,104,000 Post-IPO Shares Awards to 51 eligible participants (the "**2025 Grantees**") at nil consideration under the Post-IPO Share Scheme, subject to acceptance by the 2025 Grantees. The Post-IPO Share Awards granted to the 2025 Grantees will be satisfied by existing shares held by the trustee(s) of the Post-IPO Share Scheme (The "**Trustee**"). The Trustee shall continue to hold such shares underlying the Post-IPO Share Awards on trust for the 2025 Grantees and shall transfer such shares to the 2025 Grantees upon vesting.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	41(b)	**862,881**	471,954
		862,881	471,954
Current assets			
Other receivables		**40,744**	525
Cash and cash equivalents		**10,884**	387,532
		51,628	388,057
Total assets		**914,509**	860,011
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	**305**	305
Share premium	33	**688,457**	688,457
Other reserves	41(c)	**7,011**	139,794
Retained earnings	41(c)	**64,992**	18,534
Total equity		**760,765**	847,090
LIABILITIES			
Current liabilities			
Other payables		**153,744**	12,921
Total liabilities		**153,744**	12,921
Total equity and liabilities		**914,509**	860,011

The balance sheet of the Company was approved for issue by the Board of Directors on March 28, 2025 and was signed on its behalf by:

Ms. Hu Jihong	**Mr. Chen Guosheng**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Interests in subsidiaries

	As at December 31, 2024 RMB'000	2023 RMB'000
Amounts due from a subsidiary (Note)	**8,983**	8,983
Interests in subsidiaries	**853,898**	462,971
	862,881	471,954

Note: These amounts due from a subsidiary represent equity funding by the Company to its subsidiary, Luyuan BVI and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing.

(c) Other reserves and retained earnings

	Other reserves						
	Foreign currency translation RMB'000	Share-based payment reserves RMB'000 (Note 34)	Treasury shares RMB'000 (Note 21(d))	Others RMB'000 (Note 21(c))	Sub-total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at December 31, 2022	(406)	–	–	131,541	131,135	22,811	153,946
Loss for the year	–	–	–	–	–	(4,277)	(4,277)
Currency translation differences	(9,306)	–	–	–	(9,306)	–	(9,306)
Share-based payments (Note 34)	–	17,965	–	–	17,965	–	17,965
Acquisition of shares for Pre-IPO Share Scheme	–	–	12	(12)	–	–	–
Balance at December 31, 2023	(9,712)	17,965	12	131,529	139,794	18,534	158,328
Balance at December 31, 2023	**(9,712)**	**17,965**	**12**	**131,529**	**139,794**	**18,534**	**158,328**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**46,458**	**46,458**
Repurchase of treasury shares	**–**	**–**	**(91,139)**	**–**	**(91,139)**	**–**	**(91,139)**
Acquisition of shares for Post-IPO Share Awards	**–**	**–**	**(92,360)**	**–**	**(92,360)**	**–**	**(92,360)**
Exercise of shares under Pre-IPO Share Scheme	**–**	**(7,783)**	**–**	**7,783**	**–**	**–**	**–**
Currency translation differences	**12,792**	**–**	**–**	**–**	**12,792**	**–**	**12,792**
Share-based payments (Note 34)	**–**	**37,924**	**–**	**–**	**37,924**	**–**	**37,924**
Balance at December 31, 2024	**3,080**	**48,106**	**(183,487)**	**139,312**	**7,011**	**64,992**	**72,003**

LUYUAN

绿源

綠源集團控股（開曼）有限公司*

Luyuan Group Holding (Cayman) Limited