OVERVIEW

We are an aluminum alloy automobile wheel manufacturer focusing on the aftermarket which is the market for parts and accessories used in the repair or maintenance of an automobile. We manufacture and sell different types of aluminum alloy automobile wheels to our customers. For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to approximately RMB374.0 million, RMB362.2 million and RMB440.4 million, respectively, representing a CAGR of approximately 8.5% from 2019 to 2021. The decrease of our revenue from 2019 to 2020 was primarily due to the COVID-19 pandemic which adversely affected some of our overseas markets. For the year ended December 31, 2021, our revenue increased to approximately RMB440.4 million, indicating a strong recovery in our results of operations since the COVID-19 pandemic. For the five months ended May 31, 2021 and 2022, our revenue decreased from approximately RMB159.5 million to approximately RMB149.8 million, mainly due to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, the delivery of our products to overseas markets.

For the five months ended May 31, 2022, our revenue from domestic and overseas markets were RMB59.6 million and RMB90.2 million, respectively, representing approximately 39.8% and 60.2% of our total revenue. Our domestic market refers to our sales to the PRC while our overseas market refers to our sales to overseas countries and territories excluding the PRC. For the same period, our revenue from sales of aluminum alloy automobile wheels amounted to RMB146.6 million, representing 97.9% of our total revenue as of May 31, 2022, among which, revenue from the domestic and overseas markets were RMB56.5 million and RMB90.1 million, respectively. According to Frost & Sullivan, in terms of exported value of aluminum alloy automobile wheel, we took up approximately 1.0% market share in the aluminum alloy automobile wheel market in PRC in 2021.

Our principal operating subsidiary, Buyang Wheel, was incorporated in 2007. Our manufacturing facility is located in Yongkang City, Jinhua City, Zhejiang Province, PRC, and is leased from Buyang PRC, which is controlled by our Controlling Shareholders. As of May 31, 2022, we self-owned and operated 31 gravity casting machines, 12 low pressure casting machines, 52 CNC lathes, 22 machining centers, three pretreatment spray equipment, six powder spray machines and ten liquid spray machines and had a maximum designed production capacity of approximately 1.2 million units of aluminum alloy automobile wheel per year.

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket. We had 204, 169, 134 and 97 customers located in the PRC for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively and had 102, 94, 67 and 44 customers located in 51, 52, 37 and 26 overseas countries and territories for the corresponding periods.

We adopted strict quality control management system and comprehensive quality control procedure in order to guarantee the quality of our products which in turn enhanced our customer loyalty. We have established quality assurance standards and procedures in each major phase of our manufacturing processes. We have received key industrial certifications as a result of our quality control efforts. For example, we received certification issued by TÜV Rheinland Italia S.r.l and IATF 16949:2016 certification on our quality management system in 2013 and 2018, respectively. We also received certification issued by Japan Light Alloy Automotive Wheel Testing Council on quality testing equipment in 2016. Meanwhile, in the domestic market, we received various awards in Zhejiang Province, including the Certificate of Zhejiang Name Brand (浙江名牌產

品證書), "Zhejiang Made" certification (浙江製造認證證書), Jinhua Famous Trademark* (金華市著名商標), Jinhua Famous Brand* (金華名牌) and Yongkang City Government Quality Award* (永康市政府質量獎).

OUR COMPETITIVE STRENGTHS

Aluminum Alloy Automobile Wheel Manufacturer with Global Market Reach

We are an aluminum alloy automobile wheel manufacturer with global market reach. We achieved an overall growth in revenue during the Track Record Period. In the year ended December 31, 2020, even though we experienced a decrease in revenue compared with the year ended December 31, 2019 due to the adverse impact of the COVID-19 pandemic on some of our overseas markets, our gross profit margin increased from 19.7% to 21.4%. For the year ended December 31, 2020 and 2021, our revenue increased from approximately RMB362.2 million to RMB440.4 million and our profit increased from approximately RMB34.7 million to approximately RMB37.7 million. For the five months ended May 31, 2021 and 2022, our profit increased from approximately RMB10.0 million to approximately RMB16.4 million.

We were able to achieve our growth in a fragmented and highly competitive market through the design and implementation of a combination of operation measures, including:

***Targeted expansion plans*:** our overall growth during the Track Record Period were results of our targeted expansion plans for the domestic and overseas markets. Our domestic expansion plan focused on optimizing our customer quality and enhancing our brand image. In the overseas markets, we focused on markets with high demand for aftermarket customization and replacement of aluminum alloy automobile wheels. As a result, our revenue was approximately RMB374.0 million, RMB362.2 million and RMB440.4 million for the years ended December 31, 2019, 2020 and 2021, respectively, representing a CAGR of approximately 8.5% from 2019 to 2021.

***Effective production cost control*:** we systematically implemented production automation in order to improve production efficiency, lower production cost and reduce manual operation errors. In addition, we relied on the in-depth industry knowledge of our experienced procurement staff to control our production cost, especially the cost of aluminum alloy.

Product optimization: through our mold design and development, during the Track Record Period, we successfully reduced the weight of certain types of our aluminum alloy automobile wheels without compromising any material functional standard, such efforts resulted in lower production cost for certain types of our aluminum alloy automobile wheels. In addition, we improved our aluminum alloy automobile wheel design and spraying techniques to enrich the aesthetic appeal and varieties for our products.

Going forward, we believe we are well-positioned to capitalize on further growth opportunities. During the Track Record Period, our customers were mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket who purchased our branded and/or non-branded aluminum alloy automobile wheels. According to the Frost & Sullivan Report, the aftermarket for aluminum alloy automobile wheels in the PRC is expected to grow at a faster pace in terms of sales volume compared with the OEM market from 2021 to 2026, at an estimated CAGR of approximately 5.3%. Furthermore, according to the Frost & Sullivan Report, the aluminum alloy automobile wheel manufacturing market is fragmented, with most manufacturers having the tendency to limit to or focus on particular markets or end customer segments. We have a proven track record of realizing fast profit growth by serving a customer base with rapidly changing demands and preferences. We believe we can leverage on our expertise and experience to further enlarge our market shares in both domestic and overseas markets to increase our profitability.

Extensive Overseas and Domestic Markets that Complement Each Other

During the Track Record Period, we aim to strike a balance between our domestic and overseas markets in order to achieve sustainable growth and revenue diversification. The PRC is our largest single country market which accounted for approximately 25.2%, 27.4%, 33.8% and 39.8% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. For the same periods, we generated the majority of our revenue from sales to the overseas markets, which accounted for approximately 74.8%, 72.6%, 66.2% and 60.2% of our total revenue, respectively. From 2019 to 2020, our revenue in domestic market increased by approximately 5.2% from approximately RMB94.3 million to approximately RMB99.2 million. Meanwhile, from 2019 to 2020, our revenue in overseas markets decreased by approximately 6.0% from approximately RMB279.7 million to approximately RMB263.0 million, primarily due to unexpected international trade disruption caused by the global outbreak of the COVID-19 pandemic which adversely affected some of our overseas markets. From 2020 to 2021, both our revenue in domestic and overseas markets increased significantly from approximately RMB99.2 million to approximately RMB148.6 million, and from approximately RMB263.0 million to approximately RMB291.8 million, respectively. For the five months ended May 31, 2021 and 2022, our revenue in domestic market increased by approximately 23.1% from approximately RMB48.4 million to approximately RMB59.6 million, whereas our revenue in overseas markets decreased by approximately 18.8% from approximately RMB111.1 million to approximately RMB90.2 million, primarily due to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, the delivery of our products to overseas markets.

To expand our customer reach, we designed and implemented sales strategies in the domestic and overseas markets to better utilize our relative strengths in these different markets. Since competition among aluminum alloy automobile wheel manufacturers is intensive in the PRC, we made consistent efforts to build our brand name in the domestic market and made our brand the core strength of our business. As such, we introduced our "BYW" branded products into the domestic market to further strengthen our brand recognition in the industry. We also leveraged on the awards and certifications we received such as the Certificate of Zhejiang Name Brand (浙江名牌產品證書) and "Zhejiang Made" certification (浙江製造認證證書) to further promote our own brand in the domestic market.

For our overseas market, we sold our products to customers who further on-sell our products to downstream customers located in different countries and territories. This arrangement allows us to extend our reaches to a wide range of downstream customers and increase our sales volume in a cost-efficient manner. In developing our overseas market, we strive to build diverse revenue sources in order to lower the risk of over-reliance on a few selected markets. In particular, in 2019, we were able to mitigate the impact caused by the tariff imposed by the United States government in September 2018 by further diversifying our revenue sources in the overseas markets and adjustment of the price of our products sold to the United States. For details of our sales to the United States, please refer to "— Sales and Distribution — Sales to the United States and impact of the China-United States trade frictions" in this section of the prospectus.

Strong and Flexible Design and Production Capability that Cater to Individualized Customer Needs

We believe our growth during the Track Record Period was partially driven by our ability to quickly adapt to market demands in a cost-efficient manner. After-sales automobile market is characterized by fast evolving and highly individualized customer demands. We are able to design aluminum alloy automobile wheels pursuant to customers' wide-ranging requirements and specifications in various aspects, including size, design and color. Over the years, we accumulated experience in servicing the aftermarket, which enables us to consistently meet such demands in a timely and cost-efficient manner. This is evidenced by the sale of a total of approximately 19,900 distinct types of aluminum alloy automobile wheels by us during the Track Record Period. We have also attempted to implement streamlined and automated production to the extent possible to further improve production and cost efficiency. In addition, we regularly offer customers new types of aluminum alloy automobile wheels with proprietary designs, which were developed in-house based on our market research. Our customers reacted positively and repeatedly ordered such products, which our Directors believe is a testament to our strength in adapting to customer needs and requirements.

In addition, our customers typically place aluminum alloy automobile wheel orders in batches with different requirements and specifications from batch to batch. The production of such aluminum alloy automobile wheels often requires specific design, and it is necessary for us to be able to produce such molds in a timely and cost-efficient manner. We have experienced and well-trained mold design staff for our design and development team who are responsible for the design, production and test of molds and prototypes based on customer specifications. During the Track Record Period, we produced approximately 170, 140, 110 and 50 new molds for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. The accumulation of our design experience enables us to quickly produce new designs, and we have developed a streamlined process of designing and producing molds. All prototypes produced based on the molds will undergo a series of standardized tests to guarantee their performance characteristics and reliability. During the Track Record Period, we were able to produce a new mold within a development period of 29 to 52 days, which enables us to fulfill customer orders in a timely manner.

Comprehensive and Strict Quality Control

We have customers across the world and we believe in order to satisfy diversifying customer needs, we need to ensure consistent and strict quality control measures for our products. We have established comprehensive quality control management system and implemented detailed quality control measures in each major phase of our manufacturing processes. We received key industrial certifications as a result of our quality control efforts. For example, we received certification issued by TÜV Rheinland Italia S.r.l and IATF 16949:2016 certification on our quality management system in 2013 and 2018, respectively. We also received certification of accreditation issued by the Japan Light Alloy Automotive Wheel Testing Council on quality testing equipment in 2016.

As a result of our comprehensive and stringent quality control measure, we achieved consistent and high product quality standards during the Track Record Period and incurred minimal maintenance expenses associated with defective products. To maintain a cordial relationship with our customers, when our customers inform us about minor defects of the products which do not substantially affect the functionality of the wheels and do not fit for a sales refund, we reimburse the customers for the relevant costs incurred in rectifying such minor defects, which are generally immaterial in amount. Therefore, such expenses associated with defective products are in nature maintenance expenses in relation to minor defects in our products. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our expenses associated with defective products were approximately RMB195,000, RMB35,000, RMB283,000 and RMB122,000, respectively. On the other hand, we allow discretionary return of products as part of our post-sale customer services. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our sales return amounted to approximately RMB323,000, RMB282,000, RMB204,000 and RMB10,000, respectively. For details, please refer to the paragraph headed "Our business model — Post-sale customer services" in this section of the prospectus.

Strong and Stable Relationships with Our Major Customers

Over the years, we have established a strong customer base in both domestic and overseas markets. For the year ended December 31, 2021, we sold our products to 134 customers located in the PRC and 67 customers located in 37 overseas countries and territories.

We have maintained a strong and stable long-term business relationship with our major customers. Our top five customers during the Track Record Period on average have around six years of business relationship with us. Our customers include many reputable aluminum alloy automobile wheel wholesale traders and after-sales retailers in their respective countries and territories, such as a leading Canadian distributor of alloy wheels which supplies wheels to major automobile brands including Mitsubishi and Nissan, and a Japanese tire and rubber company listed on the Tokyo Stock Exchange. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, sales to our top five customers amounted to approximately RMB122.7 million, RMB128.1 million, RMB169.5 million and RMB48.7 million, respectively, representing approximately 32.9%, 35.3%, 38.5% and 32.4% of our total revenue, respectively.

We believe that our track record of being a reliable manufacturer of high-quality products for local reputable customers is an attestation to our overall strength and capability. Our design and development capabilities, modern manufacturing technologies and facility coupled with our comprehensive management mechanism enable us to deliver our products in a timely and efficient manner while maintaining the strict quality and technical standards expected from our customers.

Stable and Experienced Management Team

Our growth and development during the Track Record Period were attributable to the planning and successful execution of our business strategies by our management team. Our management team comprises of individuals with extensive experience in aluminum alloy automobile wheels industry. Our chairman, non-executive Director and co-founder, Mr. Xu, has more than 14 years of experience in manufacturing of aluminum alloy automobile wheels. Our executive Director, chief executive officer and general manager, Mr. Ying Yonghui, has around 14 years of experience in manufacturing of aluminum alloy automobile wheels. The members of our senior management team, on average, have relevant industrial experience of 13 years. The relevant in-depth industrial knowledge is critical to the planning of business strategies that ensured our sustained growth. In addition, all members of our senior management team have been serving our Group for over ten years. The stability of our senior management team provides consistency and efficiency in the implementation of our business strategies. For further details, please refer to "Directors and Senior Management" in this prospectus.

OUR BUSINESS STRATEGIES

Expand Our Production Capacity to Enhance Our Market Shares

We believe expanding our production capacity is a critical step in our efforts to further increase our market shares. We sold over 1.2 million, 1.0 million, 1.1 million and 0.3 million units of aluminum alloy automobile wheels for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. The utilization rate of our manufacturing facility decreased from approximately 99.4% in the year ended December 31, 2019 to approximately 85.2% in the year ended December 31, 2020 due to the COVID-19 pandemic which adversely affected the overall demand of our products and our production schedule of 2020. The utilization rate increased to approximately 93.6% in the year ended December 31, 2021 as our production activity gradually recovered from the adverse impact of the pandemic. The utilization rate decreased to approximately 86.5% in the five months ended May 31, 2022, mainly due to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our production. After the Track Record Period and up to the Latest Practicable Date, the overall utilization rate of our aluminum alloy automobile wheel production line increased to 97.3% as our business operation gradually recovered from the impacts of the regional outbreaks of COVID-19 in the PRC. For more details, please refer to "Business — Production — Production equipment and facility — Production capacity and utilization" in this prospectus.

We plan to expand our production capacity in multiple phases, and we expect to eventually reach an annual production capacity of approximately 2.4 million units of aluminum alloy automobile wheel by November 2024. We plan to expand the production capacity of our existing production lines by purchasing various additional machines including gravity casting machines. To accommodate our expansion of production capacity, we have identified a parcel of land adjacent to our current manufacturing facility with an area of approximately 17,000 sq.m. on which we plan to construct a new manufacturing facility, warehouse and other supporting facilities (the "**New Manufacturing Facility**") and relocate our current manufacturing facility to the New Manufacturing Facility gradually and expect to complete the relocation by the third quarter of 2025. As of the Latest Practicable Date, we have successfully acquired the first portion of the targeted parcel of land with an area of approximately 11,500 sq.m. for approximately RMB10.4 million. We expect to submit a tender and acquire the remaining portions of the targeted parcel of land when such land is made available for tendering by the local government authorities.

In the intensively competitive aluminum alloy automobile wheel manufacturing markets, we believe it is necessary to introduce more advanced production technologies for us to maintain our competitiveness. As a result, we plan to purchase two spin casting machines which use less raw materials to produce lighter aluminum alloy automobile wheels with comparable or better quality compared with the aluminum alloy automobile wheels produced through gravity and low pressure casting technologies, which are currently used by us. In addition to expanding our production capacity, we also intend to upgrade our current production lines to maintain our production efficiency by replacing outdated machines and equipment with new models.

For more details of our production capacity expansion plan and use of proceeds from the Global Offering, please refer to "— Production — Our Expansion Plan" in this section and "Future Plans and Use of Proceeds" in this prospectus.

Improve Our Design and Development Capability

We plan to expand our design and development capability in order to further optimize our product design and strengthen our technology to meet the demand of our customers in the aluminum alloy automobile wheel aftermarket. We plan to purchase a number of testing equipment which will be used during the testing of molds and prototypes that we produced to improve the quality and performance characteristics of our products. We will also recruit more design and development staff with relevant qualifications and experiences in mold designing and prototype testing.

Intensify Our Sales and Marketing Efforts in Selected Overseas Markets and Promote Our Own Brand

We believe the breadth and depth of our sales network are crucial to the further development of our business and a key component to complement our plan to expand our production capacity. We plan to continue to increase our sales revenue and expand our market share in overseas markets in selected countries and territories. During the Track Record Period, we identified and secured overseas customers mainly at industrial trade shows and exhibitions, business-to-business marketplace such as Alibaba and through word-of-mouth recommendation. We intend to initiate more targeted marketing activities by expanding our own sales and marketing team to enhance the sales of our products in our targeted geographical markets. We intend to achieve this by recruiting individuals who possess experience and expertise in conducting sales of aluminum alloy automobile wheels with customers in our targeted geographical markets. The expansion of our sales and marketing team will further complement our expansion in the design and development department which will strengthen our capacity in introducing new products with design and specifications catered to the needs of our expanding customer base. In addition, we will continue to participate in industrial trade shows and exhibitions and plan to participate in more major domestic and international trade exhibitions to expand our customer base and enhance our recognition in these markets. We believe that we are well positioned to capture new business opportunities by leveraging on our expertise and experience in the production of aluminum alloy automobile wheels and strengthening our sales and marketing efforts will enable us to out-perform the market.

Moreover, during the Track Record Period, we sold a small portion of our products in the PRC under our own brand name "BYW" which constituted approximately 6.8%, 2.8%, 4.0% and 5.4% of the total revenue for the same periods, respectively. We plan to enhance brand recognition among our customers in both domestic and overseas markets in order to strengthen our market competitiveness. We plan to take various initiatives with stronger marketing efforts to promote our own brand, including advertisements and promotions, and offerings of aluminum alloy automobile wheel products with proprietary designs under our brand.

OUR BUSINESS MODEL

We are primarily engaged in the design, production and sales of aluminum alloy automobile wheels to domestic and overseas customers who purchase our branded and non-branded products. We cooperate closely with our customers to provide them with high quality products which are tailor-made to their specifications and budgets in a timely manner.

Our business operation consists of six major integrated steps. The following diagram illustrates our business model:

Design and Development

Our design and development team is responsible for designing molds for aluminum alloy automobile wheel production pursuant to specific requirements and parameters set forth in our customers' orders. We also conduct our own design and development for new molds based on information and feedbacks received from our customers as well as our perception of the market trend. We have a well-developed design and development process which involves various departments of our Company. All prototypes produced based on the newly designed molds will undergo a series of standardized tests to guarantee their functionality and reliability. We produced approximately 170, 140, 110 and 50 new molds for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, and we were able to produce a new mold within a development period of 29 to 52 days. For more details, please refer to "— Design and Development" in this section of the prospectus.

Taking Purchase Order

Our customers usually place order of our products through purchase orders. Upon receipt of the purchase orders, the relevant departments of our Group will review and negotiate details of the purchase orders with our customers. Once the purchase orders are finalized, we will file them for our record.

Raw Material Procurement

Aluminum alloy ingot is the main raw material used in our production. We generally conduct annual reviews of our major existing suppliers by applying our standardized procedures to ensure that we procure high quality raw materials at a suitable price. We select new suppliers by conducting a multi-factor evaluation on the potential suppliers, which mainly includes evaluations on their price, production capacity, technology and product standard, industry ranking and logistics. For more details of our suppliers and our review system, please refer to "— Raw Materials" and "— Suppliers" in this section of the prospectus.

Production and Quality Control

Once the new design passes the design and development stage, we will produce the products at our manufacturing facility. Our production includes six main phases, namely, smelting, casting, heat treatment, machining, painting and packaging. We owned and operated a variety of specialized testing equipment and tools and perform relevant quality control procedures in each of the main manufacturing phases. For more details, please refer to "— Production" in this section of the prospectus.

Shipment and Collection of Payment

Upon completion of manufacturing of our products, we will confirm sales list and finalize shipment date with our customers. Thereafter, we will arrange shipment from our warehouse to the location designated by our customers. After delivery of our products, we will follow up with our customers for collection of our payment pursuant to the purchase order or other credit arrangement with the customers.

Post-sale Customer Services

For our customers located in both the PRC and overseas countries and territories, once a complaint regarding our products is filed with us, our dedicated staff will follow up such complaint and resolve it at its early stage. We typically agree to pay compensation to the complaining customer if it is determined, on a case-by-case basis and through good-faith negotiation, that we are liable for the defective products. We typically limit our liabilities to defects resulting from unqualified manufacturing process.

In general, we do not have contractual terms in relation to goods return or refund in our purchase order. As part of our post-sale customer service, we may allow customers to return the products due to product defects on a discretionary basis in order to maintain a cordial relationship with our customers. The products returned from the customers will be examined by our quality control staff to determine whether we are liable. If we are liable, the relevant transaction will be cancelled and we will arrange for refund. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the amount of sales return received by us were approximately 810, 600, 680 and 40 units of aluminum alloy automobile wheels, respectively, amounting to approximately RMB323,000, RMB282,000, RMB204,000 and RMB10,000, respectively. For details of our discretionary reimbursement for minor defects in our products that do not fit for a sales refund, please refer to the paragraph headed "Customers — Post-sale customer services" in this section of the prospectus.

OUR PRODUCTS

We design, manufacture and sell a wide variety of aluminum alloy automobile wheels. During the Track Record Period, we sold a total of approximately 19,900 distinct types of aluminum alloy automobile wheels. Our revenue derived from sales of aluminum alloy automobile wheels represented approximately 97.2%, 97.8%, 97.5% and 97.9% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. We derived the rest of our revenue from sales of scraps and other accessories. We sold a small number of aluminum alloy automobile wheels using electroplating technology pursuant to specific customer request, which accounted for approximately 1.7%, 1.8%, 1.9% and 3.5% of total revenue derived from sales of aluminum alloy automobile wheels for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

We sell our "BYW" branded as well as non-branded aluminum alloy automobile wheels to our customers. During the Track Record Period, we sold a small portion of our "BYW" branded aluminum alloy automobile wheels to our customers in the PRC only which constituted approximately 6.8%, 2.8%, 4.0% and 5.4% of the total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Our products are mainly categorized by size, in particular the diameter of the aluminum alloy automobile wheels. The table below sets forth details of our products by type:

Type	Diameter	Main utilization
Small	12 – 16 inches	Subcompact and compact car
Medium	17 – 20 inches	Mid-size and large car and sports utility vehicle
Large	21 – 24 inches	Full-size sports utility vehicle and pickup truck

We generally design and produce aluminum alloy automobile wheels with a wide variety of elements, including size, design and color pursuant to customers' specific requirements and specifications. We also periodically offer our own designs to our customers based on our knowledge of contemporary market trends.

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

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

Product Types

We commenced production and sales of aluminum alloy automobile wheel in 2007. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we sold over 1.2 million, 1.0 million, 1.1 million and 0.3 million units of aluminum alloy automobile wheel with the average price of RMB298, RMB339, RMB377 and RMB431, respectively.

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

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

Small aluminum alloy automobile wheel

Our small aluminum alloy automobile wheels with diameter of 12-16 inches are normally used in subcompact and compact cars. Sales volume of our small aluminum alloy automobile wheels decreased from approximately 515,000 units in 2019 to 300,000 units in 2020 and to 258,000 units in 2021. We sold over 63,000 units of small aluminum alloy automobile wheels in the five months ended May 31, 2022. Revenue derived from our sale of small aluminum alloy automobile wheels constitutes approximately 25.6%, 16.0%, 13.1% and 10.8% of our total revenue derived from sales of aluminum alloy automobile wheels for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Medium aluminum alloy automobile wheel

Our medium aluminum alloy automobile wheels with diameter of 17-20 inches are normally used in mid-size and large cars and sports utility vehicles (the "**SUV**"). Sales volume of our medium aluminum alloy automobile wheels grew from approximately 644,000 units in 2019 to 671,000 units in 2020 and to 786,000 units in 2021. We sold over 248,000 units of medium aluminum alloy automobile wheels in the five months ended May 31, 2022. Revenue derived from our sale of medium aluminum alloy automobile wheels constitutes approximately 65.1%, 71.7%, 73.5% and 75.9% of our total revenue derived from sales of aluminum alloy automobile wheels for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Large aluminum alloy automobile wheel

Our large aluminum alloy automobile wheels with diameter of 21-24 inches are normally used in the customization of full-size SUV and pickup trucks. Sales volume of our large aluminum alloy automobile wheels increased from approximately 59,000 units in 2019 to 73,000 units in 2020 and to 94,000 units in 2021. We sold over 28,000 units of large aluminum alloy automobile wheels in the five months ended May 31, 2022. Revenue derived from our sale of large aluminum alloy automobile wheels constitutes approximately 9.3%, 12.3%, 13.4% and 13.3% of our total revenue derived from sales of aluminum alloy automobile wheels for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Average sales price by product size

The following table sets forth the average sales prices by product size of aluminum alloy automobile wheel, calculated by dividing sales amount by sales volume of the specific product size, for the periods indicated:

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

The average sales price of our products increased from RMB298 per unit in 2019 to RMB339 per unit in 2020 primarily due to (i) the increase in the average purchase cost of aluminum alloy ingot, our principal raw material and (ii) the sales volume of medium-sized and large-sized aluminum alloy automobile wheels increased whereas the sales volume of small-sized aluminum alloy automobile wheels decreased significantly. The average sales price of our products increased to RMB377 per unit in 2021 as we adjusted the price of our products in order to reflect the increase in cost of aluminum alloy ingot. The average sales price of our products increased from RMB344 per unit in the five months ended May 31, 2021 to RMB431 per unit in the five months ended May 31, 2022 as we made price adjustment in response to the increase in cost of aluminum alloy ingot. According to Frost & Sullivan, the average price of aluminum ingot increased from RMB15,697.6 per ton in the fourth quarter of 2020 to RMB20,270.6 per ton in the fourth quarter of 2021, and to RMB22,159.9 per ton in the first quarter of 2022. The average price of aluminum ingot went into a downward trend from May to September 2022. It is expected that the price of aluminum ingot will be around RMB18,000 to RMB23,000 per ton in 2022.

Our Directors are of the view, which is concurred by the Sole Sponsor and Frost & Sullivan, that the increase in average selling price of our aluminum alloy automobile wheels will not have any material adverse impact on our sales volume going forward given that (i) according to Frost & Sullivan, the demand for aluminum alloy automobile wheels is relatively price inelastic as it is a critical component of automobiles which is a necessary product for daily transportation; (ii) the increase in cost of aluminum alloy ingots affects the entire industry and the increase in cost will be absorbed by a wide spectrum of market players. The market players will then pass on the increase in cost to their customers to the extent according to their scale of operation and sales models; (iii) our results of operation and sales volume remains unaffected in 2021; (iv) affected by the COVID-19 pandemic, the global supply of aluminum alloy automobile wheels decreased. Aluminum alloy automobiles wheel suppliers are therefore able to increase the selling price of their products as the cost of aluminum alloy ingots increases, in order to maintain or improve their gross profit margin; and (v) despite our sales volume for the five months ended May 31, 2022 was affected by the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets, our overall gross profit margin and gross profit margin for the sales of aluminum alloy automobile wheels for the five months ended May 31, 2022 recorded a slight increase compared to the same period in 2021. In view of the abovementioned, our Directors are of the view that reasonable adjustments in the price of our products reflecting the increase in cost of raw material will not have any material adverse impact on our operation in the long term.

PRODUCTION

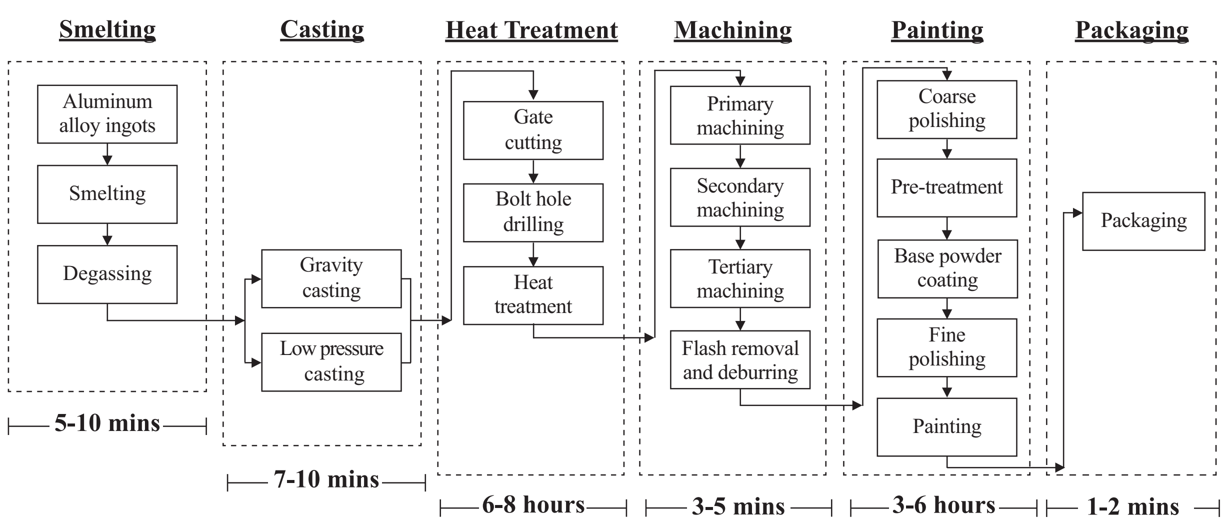
Manufacturing Process

Our production can be broadly categorized into the following six main phases:

Phase	Description	Main production equipment	Quality control
Smelting	The solid aluminum alloy ingots are melted into molten aluminum alloy liquid by furnace and the liquid is then tempered to meet the required temperature and chemical composition	Furnace	• Molten alloy composition test • Molten alloy density and temperature test
Casting	The molten aluminum alloy liquid is poured into aluminum alloy automobile wheel molds, which subsequently undergoes a cooling process to produce the rough casts of aluminum alloy automobile wheels	• Gravity casting machine • Low pressure casting machine	• X-ray inspection • Rough cases inspection • Deformation inspection
Heat treatment	The rough casts of aluminum alloy automobile wheels undergo a series of controlled heating and chilling to achieve the desired physical and structural properties	Heat treatment furnace	• Hardness test • Internal temperature test

Phase	Description	Main production equipment	Quality control
Machining	The rough casts of aluminum alloy automobile wheels are processed by using machining equipment to further meet the required physical specifications, loading parameters, dynamic balance and yaw safety. The resulting aluminum alloy automobile wheels will then undergo flash removal and deburring processes	CNC lathe	• Air tightness test • Dynamic balancing test • Run-out test • Dimension test
Painting	Polishing, spraying base powder and applying paint to the aluminum alloy automobile wheels in accordance with the customer's requirements	Liquid paint spraying equipment	• Coating film test • General appearance test • Baking temperature test • Color difference test
Packaging	Packaging finished products into cardboard cartons	Packaging machine	• Packaging inspection • Final inspection

The diagram below illustrates the flow of our main manufacturing phases:



Our manufacturing process is streamlined and closely monitored to ensure consistency and product quality. We have implemented relevant quality control measures in each manufacturing phases.

Smelting

Smelting is the initial phase of the production where aluminum alloy ingots are smelted into liquid form for casting purposes. This initial phase consists of aluminum alloy smelting and degassing. It is essential to ensure aluminum purity and homogeneity of the molten liquid and that no air bubble is in the liquid.

Casting

Casting is the essential phase where molten aluminum alloy liquid is casted into mold to form the frame of the aluminum alloy automobile wheels. There are two major types of casting methods, namely, gravity casting and low pressure casting.

Gravity Casting

During the Track Record Period, we produced the majority of our aluminum alloy automobile wheels using the gravity casting technique. Gravity casting is a process where molten aluminum alloy is poured into a pre-manufactured mold, using only the forces of gravity, then left to solidify.

Low pressure casting

Since 2011, we have been developing our capacity for low pressure casting. In the low pressure casting process, the molten aluminum alloy is transferred from an airtight furnace through a rising tube into a pre-manufactured mold with low pressure. The mold is filled up slowly to solidify.

Heat Treatment

Before going through heat treatment, the gate through which the liquid aluminum alloy enters the mold is removed and bolt holes are drilled on the casted aluminum alloy automobile wheels. Heating treatment is the process where the casted aluminum alloy automobile wheels undergo a series of controlled heating and cooling operations which improve the structural and physical properties of the aluminum alloy automobile wheels to ensure their quality and reliability.

Machining

Machining process involves four stages, namely, primary machining, secondary machining, tertiary machining and flash removal and deburring. The first three stages of machining process involve taking the rough cast of our aluminum alloy automobile wheels and shaping them into desired final shapes as required by our customers by controlled material-removal process. The products then undergo flash and bur removal and surface polishing. The majority of our machining processes are carried out by CNC, in which computers are used to control the movement and operation of lathes and other machining machines.

Painting

Painting process involves five stages, namely, coarse polishing, pre-treatment, base powder coating, fine polishing and painting. We first conduct a coarse polishing of the aluminum alloy automobile wheels and pre-treat the polished aluminum alloy automobile wheels with a series of controlled process where the wheels are subject to specific temperature, chemical solutions and cleaning. We then apply base coating and conduct a final fine polishing of the aluminum alloy automobile wheels before we apply different paints as required by our customers. We also engage third parties for electroplating technology pursuant to specific customer's request.

Packaging

Once the aluminum alloy automobile wheels are produced and passed quality inspection, we package the aluminum alloy automobile wheels pursuant to customer's specification.

Production equipment and facility

Manufacturing facility

We produce substantially all our products in our own facility. We have one manufacturing facility located in Yongkang City, Jinhua City, Zhejiang Province. The property on which the manufacturing facility is located was rented from Buyang PRC. For more details, please refer to "Relationship with Our Controlling Shareholders" in this prospectus.

We typically do not engage any subcontractor except for electroplating aluminum alloy automobile wheels where we send out our partially finished aluminum alloy automobile wheels to third-party manufacturers to undergo electroplating process.

Production lines

As of May 31, 2022, we had a total of 404 employees on the production lines, including 102 for smelting and casting, 25 for heat treatment, 98 for machining, 112 for painting, 42 for packaging, 10 for manufacturing molds that we designed, 11 for operating forklifts, 3 back office staff and 1 head of production lines. As of May 31, 2022, our production lines have a maximum designed production capacity of approximately 1.2 million units of aluminum alloy automobile wheels per year. As of May 31, 2022, we owned and operated 31 gravity casting machines, 12 low pressure casting machines, 52 CNC lathes, 22 machining centers, three pretreatment spray equipment, six powder spray machines and ten liquid spray machines. Our production lines at our manufacturing facility operate 24 hours a day, with scheduled stoppages for inspection, maintenance and holidays. Our employees on the production lines work 8 to 12 hours a day and two to three shifts per day. We plan to expand our production capacity by another 1.2 million aluminum alloy automobile wheels by November 2024. We will use part of the proceeds from the Global Offering to fund such expansion. For more details, please refer to "— Production —Our Expansion Plan" in this section and "Future Plans and Use of Proceeds" in this prospectus.

In order to maintain the quality of our aluminum alloy automobile wheels and to constantly innovate on meeting the specific demands of our customers, we have continuously upgraded our production lines through purchasing a variety of specialized and modern machinery and equipment. We source our machinery and equipment from established brands from both overseas and domestic manufacturers. All the major machinery and equipment used in our manufacturing process are owned by us.

Moreover, we have established a comprehensive management system to keep our machinery and equipment performing at their optimal conditions to ensure a continuous and safe operation of our manufacturing facility. During the Track Record Period, we did not encounter any major interruptions to our production as a result of machinery or equipment failures.

The following table describes our major production machinery and equipment in our manufacturing facility as of May 31, 2022.

Name of the Equipment	Purpose and Features of the Equipment	Country/ region of Origin	Quantity (units)	Estimated Useful Life (Years)	Average Estimated Remaining Useful Life as of the Latest Practicable Date (Years)(Note)
	Smelting				
Furnace	Melting aluminum alloy ingots into liquid form	PRC	9	10	5.3
	Casting				
Gravity casting machine	Producing rough cast of aluminum alloy automobile wheels by using gravity	PRC	31	6-10	0.4
Low pressure casting machine	Producing rough cast of aluminum alloy automobile wheels by applying low pressure to the liquid aluminum in the mold	PRC	12	10	1.2
	Heat Treatment				
Heat treatment furnace	Treating rough casts of aluminum alloy automobile wheels with controlled heat	PRC	2	10	0
	Machining				
CNC lathe	Performing facing and turning on the rough casts of aluminum alloy automobile wheels	PRC, Taiwan	52	10	1.7
Machining center	Performing drilling on the rough casts of aluminum alloy automobile wheels	PRC	22	10	2.3
	Painting				
Pre-treatment spray equipment	Optimizing the surface of aluminum alloy automobile wheels for the application of paints through a series of cleaning and chemical treatments	PRC	3	10	3.3
Powder spray machines	Applying base powder coating onto the surface of aluminum alloy automobile wheels	PRC	6	10	4.0
Liquid spray machines	Applying liquid paint onto the surface of aluminum alloy automobile wheels	PRC, France	10	10	4.3
	Packaging				
Carton sealing machine	Sealing cartons containing the aluminum alloy automobile wheels	PRC, Taiwan	7	10	5.7

Note: We use some of the machines and equipment beyond their estimated useful life since some of these machines and equipment remain functional as of the Latest Practicable Date, which our Directors believe is attributable to our regular repair and maintenance.

The table below sets forth the movement of each of our major production machinery and equipment in our manufacturing facility during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Five months ended May 31,	After the Track Record Period and up to the Latest Practicable Date
	2019	2020	2021	2022	
	(Unit)	(Unit)	(Unit)	(Unit)	(Unit)
(1) Smelting					
-Furnaces					
Beginning of year/period	6	7	8	9	9
Additions of new machinery/ equipment	1	1	1	0	0
End of year/period	7	8	9	9	9
(2) Casting					
-Gravity casting machines					
Beginning of year/period	29	31	31	31	31
Additions of new machinery/ equipment	2	0	0	0	0
End of year/period	31	31	31	31	31
-Low pressure casting machines					
Beginning of year/period	12	12	12	12	12
Additions of new machinery/ equipment	0	0	0	0	0
End of year/period	12	12	12	12	12
(3) Heat treatment					
-Heat treatment furnaces					
Beginning of year/period	2	2	2	2	2
Additions of new machinery/ equipment	0	0	0	0	0
End of year/period	2	2	2	2	2
(4) Machining					
-CNC lathes					
Beginning of year/period	46	46	50	52	52
Additions of new machinery/ equipment	0	4	2	0	0
End of year/period	46	50	52	52	52
-Machining centers					
Beginning of year/period	19	19	21	22	22
Additions of new machinery/ equipment	0	2	1	0	0
End of year/period	19	21	22	22	22

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Five months ended May 31, 2022	After the Track Record Period and up to the Latest Practicable Date
	(Unit)	(Unit)	(Unit)	(Unit)	(Unit)
(5) Painting					
-Pre-treatment spray equipment					
Beginning of year/period	2	2	3	3	3
Additions of new machinery/ equipment	0	1	0	0	0
End of year/period	2	3	3	3	3
-Powder spray machines					
Beginning of year/period	4	4	6	6	6
Additions of new machinery/ equipment	0	2	0	0	1
End of year/period	4	6	6	6	7
-Liquid spray machines					
Beginning of year/period	6	6	9	10	10
Additions of new machinery/ equipment	0	3	1	0	0
End of year/period	6	9	10	10	10
(6) Packaging					
-Carton sealing machines					
Beginning of year/period	2	5	7	7	7
Additions of new machinery/ equipment	3	2	0	0	0
End of year/period	5	7	7	7	7

Our manufacturing machineries and equipment are purchased from reputable domestic and overseas manufacturers. We have also established comprehensive inspection and maintenance procedures to ensure that our manufacturing machineries and equipment are operated on their designed performance. We conduct monthly and *ad hoc* inspection and the inspection data is sorted and filed for record. Moreover, we have adopted a "three-tier maintenance" procedure to maintain our manufacturing machineries and equipment in order to avoid interruption to our production. Our maintenance procedure divides our maintenance work into three different tiers with different time intervals and level of complexity. Our first-level maintenance involves general maintenance including inspection, lubrication and cleaning at the end of each shift. Our second-level maintenance is conducted on a monthly basis and involves dissembling key parts of our machines to thoroughly clean the machines, unblocking the oil lines, adjusting gaps and fastening different components of the machines. Our third-level maintenance is conducted on a semi-yearly basis and involves disassembling the machines, changing oil and replacing or repairing mechanical and electronic parts. During the Track Record Period, we did not experience any material interruptions to our manufacturing process due to facility or equipment failures.

Production capacity and utilization

The table below sets forth the respective production volume, designed production capacity and utilization rate for each of our manufacturing phases for the periods indicated:

	Year ended December 31,			Five months ended May 31,	After the Track Record Period and up to the Latest Practicable Date
	2019	**2020**	**2021**	**2022**	**Date**
Aluminum alloy automobile wheels production(1)					
Smelting					
Designed production capacity (units)(2)	1,784,000	1,832,000	1,832,000	578,000	882,000
Actual production volume (units)	1,193,068	1,060,753	1,164,720	339,895	582,766
Utilization rate (%)(3)	66.9	57.9	63.6	58.8	66.1
Casting					
Designed production capacity (units)(2)	1,784,000	1,832,000	1,832,000	578,000	882,000
Actual production volume (units)	1,193,068	1,060,753	1,164,720	339,895	582,766
Utilization rate (%)(3)	66.9	57.9	63.6	58.8	66.1
Heat treatment					
Designed production capacity (units)(2)	1,245,000	1,245,000	1,245,000	393,000	599,000
Actual production volume (units)	1,193,068	1,060,753	1,164,720	339,895	582,766
Utilization rate (%)(3)	95.8	85.2	93.6	86.5	97.3
Machining					
Designed production capacity (units)(2)	1,735,000	1,735,000	1,917,000	605,000	923,000
Actual production volume (units)	1,193,068	1,060,753	1,164,720	339,895	582,766
Utilization rate (%)(3)	68.8	61.1	60.8	56.2	63.1
Painting(4)					
Designed production capacity (units)(2)	1,200,000	1,585,000	2,738,000	864,000	1,318,000
Actual production volume (units)	1,193,068	1,060,753	1,164,720	339,895	582,766
Utilization rate (%)(3)	99.4	66.9	42.5	39.3	44.2
Overall utilization rate (%)(5)	**99.4**	**85.2**	**93.6**	**86.5**	**97.3**

Notes:

(1) Since the packaging phase involved quality inspection of finished products by our staff before the products are packaged by the relevant machines and the time required for quality inspection may vary, it is not feasible to calculate the designed production capacity and utilization rate for packaging phase.

(2) The designed production capacity is calculated based on the assumption that our manufacturing phases operated 20 hours a day and 320 working days for the years of 2019, 2020 and 2021, 101 working days for the five months ended May 31, 2022 and 154 working days for the period subsequent to the Track Record Period and up to the Latest Practicable Date. For the machinery and equipment newly acquired in any of the years in the Track Record Period, their designed production capacity for their year of acquisition is adjusted according to the period of time they were in operation in that year.

(3) Utilization rate is calculated by dividing the actual production volume by the designed production capacity during the same year/period.

(4) In September 2020, we acquired machinery and equipment for our painting phase with a designed annual production capacity of approximately 1.5 million units of aluminum alloy automobile wheels using our internal resources. Since such painting machinery and

equipment were only operated for the three months ended December 31, 2020, we only take into account their designed production capacity for the three months ended December 31, 2020, namely approximately 385,000 units of aluminum alloy automobile wheels.

(5) The overall utilization rate of our manufacturing facility is the utilization rate of the production phase which is the bottleneck of our production lines during the same year/period.

For 2019, the painting phase was the bottleneck of our production lines and accordingly, the utilization rate of the painting phase was also the overall utilization rate of our manufacturing facility for 2019. For 2020 and 2021, after the acquisition of machinery and equipment for our painting phase with a designed annual production capacity of approximately 1.5 million units of aluminum alloy automobile wheels in September 2020, the heat treatment phase (instead of painting phase) became the bottleneck of our production lines and accordingly, the utilization rate of the heat treatment phase was also the overall utilization rate of our manufacturing facility for 2020 and 2021. According to Frost & Sullivan, it is common in the aluminum alloy automobile wheel industry for manufacturers to record higher utilization in the heat treatment phase as manufacturers generally only operate a small number of heat treatment furnaces which are capable of processing a large quantity of aluminum alloy automobile wheels continuously. Although the heat treatment phase is currently the bottleneck of our production line, it would not be feasible for us to purchase additional heat treatment furnace to eliminate such bottleneck at the current stage as our current manufacturing facility only has very limited space to accommodate new machines and equipment while the size of the heat treatment furnace together with its supporting equipment is one of the largest among the machines currently used by us and it also requires certain space for heat dissipation. Moreover, installation of heat treatment furnace and its supporting equipment requires large scale of construction work including digging and concreting of foundation, and will take a long period of time of approximately 12 months to complete the whole installation process. Therefore, such installation and construction work will significantly affect the normal production process of our current manufacturing facility. In addition, the production capacity of our casting and machining phase is already near its practical maximum output level in light of the limited estimated remaining useful life of the machineries and the practical constraints inherent in the production procedures which restricts us from achieving full utilization of the designed production capacity. In order to prolong the useful life of our casting and machining equipment, we do not fully operate all of our casting and machining equipment on a daily basis to preserve the functionality of the equipment by minimizing the operational load while maintaining the usability of the equipment. We normally operate our casting and machining equipment by rotation on a daily basis while repair and maintenance is carried out for the other machines. Furthermore, as part of the production procedure, our casting and machining phase will incur idle time during the day when installation and changing of the molds is performed. Accordingly, there are practical constraints inherent in the production process which restricts us from fully utilizing all of our casting and machining equipment.

The overall utilization rate of our aluminum alloy automobile wheel production line decreased from approximately 99.4% in 2019 to approximately 85.2% in 2020 primarily due to the COVID-19 pandemic which affected the overall demand of our products and our production schedule of 2020. In 2021, the overall utilization rate of our aluminum alloy automobile wheel production line increased to 93.6% as our production activity gradually recovered from the adverse impact of the pandemic. In the five months ended May 31, 2022, the overall utilization rate of our aluminum alloy automobile wheel production line decreased to 86.5% primarily due to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our production. In particular, due to the outbreaks of COVID-19 in Ningbo City in January 2022 and Jinhua City in April 2022, restrictions were imposed on transportation between Yongkang City (which is governed by Jinhua City and where our Group is located at) and Ningbo port. Ningbo port is the major port for the delivery of our products to overseas markets. As a result, there was delay in delivery of products to our overseas markets. Although no penalty has ever been imposed on our Group in respect of such delay in delivery, such delay caused adverse impact on our operations as our actual production volume decreased during the affected period. This is because upon the occurrence of the delay in delivery of our products, our Group had to postpone our production schedule to a later stage to (i) prevent overstock of products due to the limited storage space in our manufacturing facility; and (ii) have better management of our cash flow as delay in delivery of products will affect our Group's collection of payment in respect of the relevant orders.

In addition, in February and March 2022, COVID-19 broke out in Baise City, Guangxi Province, the PRC, which is one of the most important production cities of bauxite and aluminum ingot, and large-scale lockdown of Baise City directly impacted the aluminum ingot delivery capability. Further, there were uncertainties on the supply of ancillary raw material to our Group by one of our suppliers located in Shanghai due to the outbreak of COVID-19 in Shanghai in April 2022. In view of such uncertainties which could result in the lack of supply of our raw materials and also in support of the disease prevention measures of the local government, we (i) slowed down the production of our manufacturing facility between mid-April to early May 2022 by reducing the number and the operating time of certain machines. During the affected period, we reduced the operating number of our gravity casting machines, low pressure casting machines and machines and equipment in machining phase by approximately 20%, 42% and 28% of the total number of the relevant machines respectively. We also reduced the operating time of the heat treatment furnaces and the painting lines by 20 to 25% respectively; and (ii) arranged closure of our manufacturing facility for inspection and maintenance. Our production volume was adversely affected not only during the closing period but also during the period both before and after the closure, as we informed our customers in advance prior to the closure and it took time for us to resume our operations after the closure. After the Track Record Period and up to the Latest Practicable Date, the overall utilization rate of our aluminum alloy automobile wheel production line increased to 97.3% as our business operation gradually recovered from the impacts of the regional outbreaks of COVID-19 in the PRC in early 2022.

We generally plan our production based on confirmed orders. In some cases, we also produce certain popular wheels in advance in anticipation of demands of our customers.

Our Expansion Plan

We seek to strengthen our market position in the aluminum alloy automobile wheel manufacturing industry by capturing future growth of the market demand for aluminum alloy automobile wheels by expanding and enhancing our production capacity for our aluminum alloy automobile wheels. Our expansion plan of production capacity generally includes two components: (1) enhancing the efficiency of our current production lines and (2) expanding our production capacity by setting up a new manufacturing facility in Yongkang City. Our plans to expand our production capacity for our aluminum alloy automobile wheels is catered for the growing market demand in the long term and our Directors are of the view that our expansion plan is a necessary step to capture the growing market demand for the following reasons:

1. Strong Recoverability from COVID-19 Pandemic and Subsequent Growth

As a result of the adverse impact caused by the COVID-19 pandemic, our sales volume of aluminum alloy automobile wheels decreased by approximately 14.2% from approximately 1.2 million units in 2019 to approximately 1.0 million units in 2020. According to Frost & Sullivan, our decrease was in line with the decrease in the global market demand for aluminum alloy automobile wheels which was affected by the COVID-19 pandemic. In particular, the global sales volume of aluminum alloy automobile wheels decreased from 395.3 million units in 2019 to 337.4 million units in 2020, representing annual decrease of 14.6% while the global sales volume of aluminum alloy automobile wheels in the aftermarket segment decreased from 38.9 million units in 2019 to 37.6 million units in 2020. However, according to Frost & Sullivan, COVID-19 has been under effective control in China and the automobile industry has realized an obvious growth on a year to year basis in 2021 and demand for automobile parts such as aluminum alloy automobile wheels will also witness a quick growth. Subsequent to the six months ended June 30, 2020, we were able to recapture part of our customer demand as the impact of the COVID-19 pandemic on our operation diminishes. Based on the consolidated results of our Group for the six months ended December 31, 2019 and 2020, our overall revenue generated increased from RMB224.9 million for the six months ended December 31, 2019 to RMB229.6 million for the six months ended December 31, 2020, representing a period-to-period increase of 2.1%, which is a strong indication that our results of operation have returned to a level prior to the COVID-19 pandemic.

Our results of operations have continued to maintain a strong recovery from the COVID-19 pandemic in 2021 and we were able to outperform the market growth in the aftermarket segment between 2020 and 2021 in terms of sales volume and revenue. According to Frost & Sullivan, the global sales volume of aluminum alloy automobile wheels in the aftermarket segment in which our Group focus on grew from 37.6 million units in 2020 to 40.3 million units in 2021, representing an annual growth of 7.2%. Furthermore, the global sales value of aluminum alloy automobile wheels in the aftermarket segment grew from RMB19.6 billion in 2020 to RMB21.2 billion in 2021, representing an annual growth of 8.2%. On the other hand, our overall revenue generated increased from approximately RMB362.2 million for the year ended December 31, 2020 to approximately RMB440.4 million for the year ended December 31, 2021, representing an annual growth of approximately 21.6%, and our sales volume increased from approximately 1,045,000 units to 1,140,000 units for the same years, representing an annual growth of approximately 9.1%.

For the five months ended May 31, 2021 and 2022, our sales volume decreased by approximately 25.2% from approximately 455,000 units to approximately 340,000 units, mainly attributable to the recent regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our business operation, in particular, the delivery of our products to overseas markets. Having considered that (i) since mid-May 2022, our manufacturing facility has resumed normal operation with sufficient supply of raw material; (ii) the government authorities have put into significant resources and efforts to contain the regional outbreaks of COVID-19 in the PRC and the gradual relaxation of control measures; and (iii) based on our unaudited management accounts, our financial performance for the six months ended June 30, 2022 has improved compared to the corresponding period in 2021, our Directors believe that the regional outbreaks of COVID-19 in the PRC is unlikely to have a material adverse impact on our business, results of operations and financial conditions as a whole in the long term. For details, please refer to the paragraph headed "Summary — Recent Developments — Outbreak of COVID-19 — Recent regional outbreaks of COVID-19 in the PRC" in this prospectus.

2. Higher growth in targeted geographical regions and our focus on the PRC market

According to Frost & Sullivan, the global aluminum alloy automobile wheel market is expected to grow steadily in the foreseeable future. The global sales volume of aluminum alloy automobile wheel in the aftermarket segment is expected to increase from 40.3 million units in 2021 to 45.5 million units in 2026, representing a CAGR of 2.5%. Despite the steady growth in the global market, the sales volume of aluminum alloy automobile wheels in the aftermarket segment is expected to have a higher growth rate in certain countries and territories which our Group have historically focused on. During the Track Record Period, our sales to the PRC, United States, Lithuania, UAE and Canada in aggregate, amounted to approximately RMB211.9 million, RMB248.3 million, RMB344.9 million and RMB114.9 million, representing approximately 56.6%, 68.6%, 78.3% and 76.7% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. According to Frost & Sullivan, the domestic sales volume of aluminum alloy automobile wheels in the aftermarket segment for the aforementioned countries is expected to grow at a CAGR ranging from 2.7% to 9.8% from 2021 to 2026.

(i) The PRC market

According to Frost & Sullivan, despite the slower growth of the global sales volume of aluminum alloy automobile wheel in the aftermarket segment with a CAGR of 2.5% from 2021 to 2026, the domestic sales volume of aluminum alloy automobile wheels in the aftermarket segment in the PRC, our largest single country market during the Track Record Period, is expected to grow at a CAGR of 9.8% from 2021 to 2026. The significant growth in the sales volume of aluminum alloy automobile wheels in the aftermarket segment in the PRC is partly driven by an accelerating growth of the automobile modification market. According to Frost & Sullivan, the penetration rate of automobiles which are modified and customized in the PRC is less than 1.0%, indicating a developing market with an abundance of opportunities for further growth in aftermarket automobile parts. As a result of increasing automobile ownerships and wider acceptance of modified automobiles among the younger generations of automobile users, there is a rising number of automotive service providers entering the market of automobile modification and customization in the PRC. The continuous growth of the PRC automobile modification industry is partly as a result of the PRC government's move to formalize regulations and policies in relation to automobile modification as indicated in the 16 Standards for Car Conversion* (16項改裝標準) promogulated by the Automobile Refit Professional Committee* (全國工商聯汽車摩配商會汽車改裝專業委員會) in 2017, under which automobile wheels and tyres were one of the items provided under the list of standardized modification items. According to Frost & Sullivan, the control policies over automobile modification is expected to be relaxing and the relevant regulations is expected to be standardized in the PRC, thus benefiting the automobile modification industry in the foreseeable future. Our Directors believe that the wider acceptance of automobile modification and customization will be a key driver to the development of aluminum alloy automobile wheels in the aftermarket, thereby increasing the demand for our products.

Further, according to Frost & Sullivan, although the impacts of COVID-19 prevention measures on the PRC market will continue in the near future, the PRC government has recently released a series of policies to stimulate automobile consumption in June 2022, including new car purchase subsidy, purchase tax exemption, and lifting the restrictions on used car transaction in all cities. Driven by these favorable factors, it is expected that market demand for automobile wheels in PRC, which is our major market, will further increase and the automobile production and automobile in use will grow steadily till 2026. It is expected that CAGR of new automobile production during 2021 to 2026 will reach 3.1%, whereas CAGR of automobile in use during the same period will reach 5.0%, which will strongly drive the demand for automobile wheels in both OEM and aftermarket segment.

In order to capture the fast-growing opportunities in the PRC market, we have increased our efforts and focused on promoting the sales of our products in this market. From 2019 to 2021, our domestic sales volume in the PRC increased from 224,918 units to 392,866 units, representing a CAGR of 32.2%. Our revenue generated from sales of aluminum alloy automobile wheels in the domestic market increased from RMB91.5 million for the year ended December 31, 2020 to RMB137.9 million for the year ended December 31, 2021, representing a year-to-year growth of approximately 50.8%, and from RMB45.2 million for the five months ended May 31, 2021 to RMB56.5 million for the five months ended May 31, 2022, representing a period-to-period growth of approximately 25.0%. In particular, revenue generated from sales of aluminum alloy automobile wheels in the domestic market by new customers accounted for approximately 23.2% of our total revenue generated from sales of aluminum alloy automobile wheels in the domestic market in the year ended December 31, 2021 as opposed to 8.3% in the year ended December 31, 2020.

Our increased efforts in increasing our sales in the fast-growing PRC market is evident during the Track Record Period and it is expected that continued expansion in such domestic market will provide substantial support for our expansion plan. Accordingly, we expect to focus more on the PRC market in the future, and our Directors believe that there will an increasing demand for our products in this market.

(ii) Other targeted geographical regions

In addition to the increasing growth rate of sales of aluminum alloy automobile wheels in the aftermarket segment in the PRC, our Directors are also confident of increasing our sales to the United States given that our sales to the United States increased significantly from RMB39.1 million in 2019 to RMB86.2 million in 2021, representing a CAGR of 48.5%. According to Frost & Sullivan, the domestic sales volume of aluminum alloy automobile wheels in the aftermarket segment in the United States is expected to grow from 6.7 million units in 2021 to 7.7 million units in 2026, representing a CAGR of 2.7%. Despite the slower growth rate compared to the PRC, the penetration rate of automobiles that are modified and customized is over 70% in the United States, indicating a market which is receptive and open to automobile modification and customization. The expected increase in the sales volume of aluminum alloy automobile wheels in the United States is also contributed by the increase in the average age of vehicles in the United States as a result of the slow growth in vehicle sales in 2021 due to the adverse impact caused by the COVID-19 pandemic. The increase in the average age of vehicle is a driver for the demand for aftermarket automotive parts including aluminum alloy automobile wheels. According to Frost & Sullivan, despite the emergence of the COVID-19 pandemic across the globe, the automobile aftermarket segment in the United States remained less affected as many areas did not implement a stringent lock-down and isolation policy and individuals generally preferred utilizing private vehicles instead of public transportation as a means of travel in order to minimize the risk of exposure to the public and thereby increased the usage of private motor vehicles. Furthermore, in response to the COVID-19 pandemic, the Federal Reserve System of the United States announced a new set of quantitative easing measures in March 2020 to alleviate the impact caused by the COVID-19 pandemic. According to Frost & Sullivan, since March 2020 and up to the Latest Practicable Date, various provinces in the United States adopted relief measures which provided a stimulus on public spending including a direct positive impact on the aftermarket automobile segment. Our revenue generated from sales of aluminum alloy automobile wheels to the United States increased to RMB68.6 million in 2020 despite the COVID-19 pandemic and our revenue generated from the United States in 2021 reached a historical high of RMB86.2 million, representing a 25.7% increase from 2020. Our revenue generated from the United States remained relatively stable at approximately RMB27.8 million for the five months ended May 31, 2021 and approximately RMB26.3 million for the five months ended May 31, 2022 despite the impacts caused by the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets. The growth in the automobile aftermarket segment in the United States is expected to maintain in the future. Given that the United States is the largest market for aftermarket sales of aluminum alloy automobile wheels in the world and in view of our continuous efforts in expanding our customer reach in the United States, we expect a growing demand of our aluminum alloy automobile wheels in the United States.

According to Frost & Sullivan, although the China-United States trade friction had a negative impact on U.S. import of aluminum alloy automobile wheels from China in the aftermarket segment in general, China remains the single largest exporter of aluminum alloy automobile wheels in the aftermarket automotive industry in the United States. The reliance on aluminum alloy automobile wheels imported from China for the aftermarket automotive industry in the United States will likely remain stable in the near future despite the uncertainties pertaining to the China-United States trade friction. Our Directors are of the view, which is concurred by Frost & Sullivan, that the reliance on aluminum alloy automobile wheels imported from China in the aftermarket segment in the United States is primarily attributable to the quality and price appeal of the aluminum alloy automobile wheels as well as the well-established manufacturing capacity of aluminum alloy automobile wheel manufacturers in China who are able to produce a large quantity of aluminum alloy automobile wheels in different style and design. According to Frost & Sullivan, this will remain as an advantage in the perspective of importers and end-customers in the United States in the near future. Given the reasons above, our Directors are of the view that the United States presents plenty of opportunities for us to further strengthen our sales of aluminum alloy automobile wheels to the United States aftermarket. For further details of our sales in the United States and the impact of the China-United States trade friction, please refer to "— Sales and Distribution — Sales to the United States and impact of the China-United States trade frictions" in this section of the prospectus.

Our Group also anticipates a growing demand of our aluminum alloy automobile wheels in the aftermarket segment in Lithuania, Canada and the UAE. According to Frost & Sullivan, the domestic sales volume of aluminum alloy automobile wheels in the aftermarket segment in the aforementioned countries are expected to grow at a CAGR of 5.2%, 3.6% and 4.7% from 2021 to 2026, respectively. Despite the slower growth rate in Canada, the aftermarket automobile industry in Canada is well-developed, resulting in a large and diversified market demand for customized cars and car modification. During the Track Record Period, our sales to the aforementioned countries grew from approximately RMB78.4 million in 2019 to RMB110.0 million in 2021, representing a CAGR of 18.5%. For the five months ended May 31, 2021 and 2022, although our sales to the aforementioned countries decreased from approximately RMB42.8 million to approximately RMB28.9 million, representing a period-to-period decrease of 32.5%, our Directors believe that such decrease was only due to the temporary impacts caused by the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets. Given the significant growth during 2019 to 2021 and in view of the potential market growth in the aforementioned targeted geographical regions, our Directors are confident that we will be able to further increase our sales and expand our customer base in these regions.

3. Strong growth from major customers and ability to attract new customers

Our long-standing business relationship with our major customers continues to strengthen throughout the Track Record Period as we constantly expand our range of products, which are tailored to their various needs and high standards. As a result, we have achieved significant growth in business with our major customers and have continued to establish business relationships with new customers. For the year ended December 31, 2019, our revenue generated from our five largest customers was RMB122.7 million, accounting for 32.9% of our total revenue for the corresponding year. Our revenue generated from our five largest customers has since increased to RMB169.5 million, accounting for 38.5% of our total revenue for the year ended December 31, 2021. We have further achieved significant growth with some of our long-standing major customers including

UAB Group, BSA Group and 168406 Canada Inc, whose revenue contribution increased from RMB67.8 million for the year ended December 31, 2019 to RMB116.7 million for the year ended December 31, 2021, representing a CAGR of approximately 31.2%. The continued growth in cooperation with our major customers provides a strong support for our expansion plan and we believe our expansion plan will serve as an important component in catering the growing needs of our major customers.

Moreover, revenue generated from sales of aluminum alloy automobile wheels in the PRC market by new customers accounted for approximately 23.2% of our total revenue generated from sales of aluminum alloy automobile wheels in the PRC market in the year ended December 31, 2021 as opposed to 8.3% in the year ended December 31, 2020. Our Directors believe that such increase in revenue generated by our new customers in the PRC market proves our ability to attract new customers.

4. Our current manufacturing facility ran at a high utilization rate

During the Track Record Period, our manufacturing facility ran at a utilization rate of approximately 99.4%, 85.2%, 93.6% and 86.5% for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Our Directors are of the view that the decrease in the overall utilization rate in 2020 was primarily as a result of the adverse impact caused by the COVID-19 pandemic which temporarily disrupted our production and affected our customer demand in the first half of 2020. Our utilization rate increased to 93.6% for the year ended December 31, 2021, representing a significant growth from 2020. Our utilization rate decreased to 86.5% for the five months ended May 31, 2022, primarily due to the regional outbreaks of COVID-19 in the PRC in early 2022 which temporarily affected our production. In view that (i) our utilization rate has historically ran at a high level; (ii) our utilization rate in 2021 reflects a strong recovery from 2020; (iii) our utilization rate in the five months ended May 31, 2022 was only temporarily affected by the regional outbreaks of COVID-19 in the PRC in early 2022; and (iv) after the Track Record Period and up to the Latest Practicable Date, the overall utilization rate of our aluminum alloy automobile wheel production line increased to 97.3% as our business operation gradually recovered from the impacts of the regional outbreaks of COVID-19 in the PRC in early 2022, our Directors consider that such high, if not nearly saturated, utilization of our manufacturing facility in 2021 would result in inflexibility in scheduling our production schedule and lack of capacity to meet additional purchase orders from existing or potential customers, and hence there is a need for our business expansion.

5. Our Group is well-positioned to capitalize on future market demand

We believe our strengths and capabilities makes us well-positioned to capitalize on further growth opportunities. During the Track Record Period, our growth was partially driven by our ability to quickly adapt to market demands in a cost-efficient manner.

(i) Further growth opportunities in wheels produced by spin casting machines

As part of our expansion plan, we intend to acquire machines and equipment for expansion of our production capacity, including the purchase of two spin casting machines which use less raw materials to produce lighter and more durable aluminum alloy automobile wheels compared with the aluminum alloy automobile wheels produced through gravity and low pressure casting technologies, which are currently used by us. Our production of wheels using spin casting machines is not engaging in a new business, but a strategy of diversifying our products by offering new products which provide better quality. According to Frost & Sullivan, in developing the new energy vehicles ("**NEV**") (such as electric vehicles and hybrid vehicles) and luxury cars, manufacturers are keen on achieving higher level of lightweight to extend the driving range and improve dynamic performance of their NEVs and luxury cars. Aluminum alloy automobile wheels produced by spin casting machines have the properties of both high-strength and lightweight, and are thus widely used in NEVs and luxury cars. Our Directors believe that there will be a strong market demand for wheels produced by spin machines as they are able to meet the requirements of the NEVs and luxury cars, and having the production capacity of such wheels will enhance our competitiveness in the automobile wheel industry.

According to Frost & Sullivan, transformation to NEV has become a global trend. The global sales volume of NEVs grew from 1,162.1 thousand units in 2017 to 6,201.2 thousand units in 2021. From 2021 to 2026, the global NEV sales are expected to grow at a CAGR of 29.8%. Further, major economies such as the PRC, the U.S. and the EU have all set ambitious goals to promote NEV. For example, the PRC has set the goal of increasing sales of NEV in the PRC to 20% of overall new car sales by 2025, and such goal has already been achieved in the first half year of 2022. Moreover, the sales volume of NEV in the PRC soared from approximately 0.6 million units in 2017 to approximately 3.3 million units in 2021, representing a CAGR of 41.9% and it is expected that the sales volume of NEV in the PRC will grow at a CAGR of 20.8% from 2022 to 2026, and reach 9.6 million units in 2026, accounting for approximately 30% of all new car sales. Further, it is stated in the New Energy Automobile Industry Development Plan (2021-2035) issued by the PRC government that it will promote the further development of the new energy automobile industry, based on electrification, connectivity, and intelligence. In fact, in a short span of 5 years, the total number of NEVs in use in the PRC reached 7.7 million units in 2021, representing a CAGR of 62.7% from 2017. According to Frost & Sullivan, it is expected that the total number of NEVs in use in the PRC will reach 42.9 million units in 2026, representing a CAGR of 36.9% from 2022. Also, the EU announced in July 2022 that all new cars sold in EU will be NEV by 2035, and the U.S. announced in August 2021 that 50% new cars sold in the U.S. by 2030 will be zero-emission cars, including electric vehicles and hybrid vehicles. As a result, sales of NEVs and the amount of NEVs in use have increased significantly globally primarily attributable to the stimulus policies imposed by almost all major economies including the PRC, Europe and U.S. Therefore, it is evidently a global trend to replace the traditional gas or diesel automobiles gradually by the NEVs in the future. Moreover, according to Frost & Sullivan, thanks to increasing automobile ownerships and wider acceptance of modified automobiles among young generation, there is a rising number of automotive service providers entering the market of automobile modification and customization. Along with the increasing production volume and ownership scale of NEV, it is expected that the demand for NEV's modification in aftermarket will grow rapidly globally, which will propel the sales of aluminum alloy automobile wheel, as it is visually appealing with bright and shiny appearance. Our Directors believe that with the increasing sales of NEVs, there will be more NEVs in use and the increasing scale of NEVs in use will significantly drive the demand for aluminum alloy automobile wheels produced by spin casting machines in the aftermarket. Accordingly, by leveraging upon our existing manufacturing facilities, our Group is able to capture this business opportunity easily and produce such wheels required by NEVs simply by purchasing the new spin casting machines by using our net proceeds from the Global Offering.

For luxury car market, driven by the continuous growth of household income in the PRC, sales volume of luxury cars in the PRC will grow at a CAGR of 6% from 2022 to 2026. The growth in sales volume of luxury cars is higher than the growth in sales volume in mass car market with CAGR of 2.6% from 2022 to 2026. Given that the wheels produced using spin casting machines have advantages of light weight and high strength, they are generally used in luxury cars. The fast growth of luxury cars will drive the enormous demand for wheels produced using spin casting machines and create additional market demand for automobile wheel manufacturers which are capable to produce such wheels on top of wheels produced through gravity and low pressure casting technologies in the coming years.

Moreover, wheels produced using spin casting machines use less aluminum ingot. According to Frost & Sullivan, given that aluminum ingot is the major raw material for producing aluminum alloy automobile wheels, the nature of such new type of wheels allows the wheel manufacturers to achieve a cost-saving effect, thereby improving the wheel manufacturer's gross profit margin. Further, since the production of such wheels use less aluminum ingot, it could help reduce carbon emissions during the manufacturing process of the traditional gas or diesel automobiles. Therefore, it is expected that wheels produced using spin casting machines will be increasingly adopted by the entire automotive industry driven by the carbon neutral policies globally.

In view of the above, our Directors expect that more competitors will produce wheels using spin casting machines due to its unique features. Accordingly, if we have no spin casting machines to produce aluminum alloy automobile wheels, we will lose our market share to our competitors in the future. Therefore, we intend to adjust our product mix by offering wheels produced using spin casting machines to maintain our competitiveness in the industry.

In addition, our Group has been actively contacting our past, existing and potential customers and we believe that they have strong interest in our wheels produced by spin casting machines. Based on our communication with our largest customer in 2017 (the "**Past Customer**"), it has expressed its intention to continue conducting business with our Group and expected to place orders with our Group in the first half year of 2023. In particular, due to the unique quality of the wheels produced by using spin casting machines, the Past Customer has expressed its preference for such wheels for their production of NEVs. In addition, we also target to supply our wheels to be produced by using spin casting machines to one of our top ten customers for the year ended December 31, 2021 and the five months ended May 31, 2022 as such customer is engaged in the production of the electric vehicle.

In light of the aforementioned, our Directors believe that our expansion plan which includes the purchasing of two spin casting machines is necessary so that we will be well positioned to capture such growing market demand in the future.

(ii) Expansion of our design and development team

The aftermarket for aluminum alloy automobile wheels is characterized by fast evolving and highly individualized customer demands. We are able to design aluminum alloy automobile wheels pursuant to our customers' specific requirements and specifications in various aspects, including size, design and color. We have experienced and well-trained mold design staff for our design and development team who are responsible for the design, production and test of molds and prototypes based on customer specifications. The accumulation of our design experience enables us to quickly produce new designs, and we have developed a streamlined process of designing and producing molds. As part of our strategy of improving our design and development capability, we intend to expand our design and development department through the recruitment of experienced mechanics with a wealth of experience in mold designing and prototype testing. We believe that the expansion of our design and development department and strengthening of our design and development capability will also complement our expansion in the sales and marketing as we seek to bolster our reputation in the industry to capture future market demand.

(iii) Strong market demand from our existing customers

We believe there is a strong market demand from our existing customers for our products to support our expansion plan. We have communicated with some of our existing customers during the Track Record Period in respect of their anticipated demand for our aluminum alloy automobile wheels in the coming three years. The total sales volume to these customers were approximately 0.6 million, 0.6 million, 0.8 million and 0.2 million units for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. These customers have expressed their intention to procure a total of approximately 1.1 million, 0.9 million and 1.1 million units of aluminum alloy automobile wheels from us for 2023, 2024 and 2025, respectively. Our Directors believe that such increase in the anticipated demand from these customers for 2023 to 2025 as compared to our sales volume to them during the Track Record Period is mainly due to (i) the competitive price and timely delivery of our products; (ii) our stable business relationship with the customers; (iii) the customers' need to expand their business; and (iv) facilitation of transportation and cost-saving by bulk purchases.

In addition, we have in the past rejected certain purchase orders from our customers due to the limitation of our production capacity, evidencing the strong demand for our products from our customers. From 2020 to 2021, the overall utilization rate of our aluminum alloy automobile wheel production line increased from approximately 85.2% to 93.6% as our production activity gradually recovered from the impact of the COVID-19 pandemic in 2020. As a result of our limited production capacity, we rejected purchase orders of approximately 147,000 units of aluminum alloy automobile wheels from our customers in 2021. Accordingly, our Directors believe that the demand from our customers is actually stronger than that reflected in the actual sales to our customers.

Having considered both the anticipated and historical demand from our existing customers, our Directors are confident that there will be sufficient market demand for our expansion in production capacity.

In light of (i) our expansion plan which includes purchasing of two spin casting machines; (ii) our experienced and well-trained production and design and development staff; and (iii) the strong market demand from our existing customers, our Directors are of the view that we are well-positioned to capitalize on future market demand for our products.

In view of the above reasons, and given that our current manufacturing facility is limited to an annual production of approximately 1.2 million units of aluminum alloy automobile wheels, our Directors believe there is a need for us to expand our production capacity through the construction of a new manufacturing facility as well as to enhance the production efficiency of our current production lines by replacing outdated equipment with new and more advanced machineries.

Our expansion plan of production capacity generally includes the following two components:

Enhance the efficiency of our current production lines

We commenced production of aluminum alloy automobile wheel in 2007. Over the years, although we have purchased new machines and equipment from time to time to fulfill our production needs, some of our current machines and equipment have been in use for over ten years or are not the most advanced model. In order to maintain our production efficiency and competitiveness in the market, we plan to replace certain machines and equipment including gravity casting machine, CNC lathe, machining center, furnace, heat treatment furnace, gate cutting machine and dynamic balancing machine, with their respective new models. We intend to gradually implement such plan during a three-year timeframe and the estimated purchase costs are approximately RMB17.6 million. We plan to use our internal resources to pay for the purchase costs.

Expanding our production capacity by setting up and relocating to a new manufacturing facility

In addition to replacing our existing outdated machines and equipment, we also plan to further expand our maximum annual production capacity from approximately 1.2 million units to approximately 2.4 million units by constructing our New Manufacturing Facility. In addition, we intend to gradually relocate our current manufacturing facility to the New Manufacturing Facility and expect to complete the relocation by the third quarter of 2025. In determining the suitable parcel of land to construct our New Manufacturing Facility, we will primarily consider the following factors: (i) the location of the parcel of land and the completeness of the infrastructural facilities in the surrounding area; and (ii) the size of the parcel of land as it should provide sufficient space to house all of our production equipment, warehouse and supporting facilities. We have identified a parcel of land adjacent to our current manufacturing facility with an area of approximately 17,000 sq.m. on which we plan to construct our New Manufacturing Facility to accommodate our expansion of production capacity. As of the Latest Practicable Date, we have successfully acquired the first portion of the targeted parcel of land with an area of approximately 11,500 sq.m. for approximately RMB10.4 million. We expect to submit a tender and acquire the remaining portions of the targeted parcel of land when such land is made available for tendering by the local government authorities. We estimate that the New Manufacturing Facility will have a gross floor area of approximately 48,000 sq.m. and will house our manufacturing facility, warehouse and other supporting facilities.

The construction of our New Manufacturing Facility is planned to be completed in two phases. The first phase of construction is expected to commence in December 2022 and is expected to be completed by November 2023, allowing production to commence from December 2023. Upon completion of the first phase of construction, the New Manufacturing Facility will have an annual production capacity of approximately 0.8 million units of aluminum alloy automobile wheels. The second phase of construction is expected to commence in December 2023 and is expected to be completed by the end of November 2024, allowing production to commence from December 2024. Upon completion of the second phase of construction, our New Manufacturing Facility will have a total annual designed production capacity of approximately 1.2 million units of aluminum alloy automobile wheels, thereby increasing our total annual production capacity to approximately 2.4 million units.

The table below sets forth the machines and equipment that we have acquired and intend to acquire for the expansion of our production capacity using the net proceeds from the Global Offering and our internal resources:

Name of equipment	**Quantity**	**Expected purchase cost**
	(units)	**(RMB'000)**
Casting machine (including two spin casting machines)	18	22,760
CNC lathe	15	11,100
Heat treatment furnace	1	5,600
Machining center	6	2,400
Furnace	2	3,000
Other ancillary machines and equipment	8	4,600
Total		**49,460**

All of the above machines and equipment will be placed in our New Manufacturing Facility. We have also acquired machinery and equipment for our painting phase using our internal resources which are placed in our current manufacturing facility. We will relocate such machinery and equipment to our New Manufacturing Facility by end of November 2023. As at the Latest Practicable Date, our Group had obtained some preliminary quotations for the relevant construction costs and acquisition costs for the new machinery and equipment. Based on those quotations, we expect that the total capital expenditure for constructing our New Manufacturing Facility will be approximately RMB93.9 million ("**Total Construction Cost**"), of which (i) approximately RMB16.0 million will be used to acquire the parcel of land; (ii) approximately RMB28.4 million will be used to finance the construction costs for the New Manufacturing Facility, warehouse and other supporting facilities; and (iii) approximately RMB49.5 million will be used for the purchase of machines and equipment for the expansion of production capacity. We intend to utilize our internal resources to finance the acquisition costs for the parcel of land and acquisition costs for part of the new machines and equipment of approximately RMB4.7 million, and we intend to utilize the net proceeds from the Global Offering to finance the construction costs of the New Manufacturing Facility and acquisition costs for part of the new machines and equipment of approximately RMB44.8 million. For more details of our application of the net proceeds from the Global Offering in connection with our expansion plans, please refer to "Future Plans and Use of Proceeds" in this prospectus.

Investment payback period

The following table sets out our indicative timetable for construction of our New Manufacturing Facility:

Period	Event
From December 2022 to November 2023	• Conduct construction work for the first phase of the New Manufacturing Facility
From December 2023 to November 2024	• Commence production of the first phase of the New Manufacturing Facility
	• Conduct construction work for the second phase of the manufacturing facility
From December 2024	• Commence production of the whole New Manufacturing Facility

Upon completion of the construction of the first phase of the New Manufacturing Facility, our Group will have a total additional annual production capacity of approximately 0.8 million units of aluminum alloy automobile wheels. The following table sets out the details of the calculation of the net cash inflow generated by our Group during the period from December 2023 to November 2024 upon completion of the construction of the first phase of the New Manufacturing Facility under different utilization rates:

Utilization rate	100%	80%	60%	40%
Increase in annual production volume (units)	800,000	640,000	480,000	320,000
Projected cash inflow from sales *(Note 1)* (RMB'000)	276,480	221,184	165,888	110,592
Projected cash outflow related to sales *(Note 2)* (RMB'000)	218,480	174,784	131,088	87,392
Projected net cash inflow (RMB'000)	**58,000**	**46,400**	**34,800**	**23,200**

Upon completion of the construction of the second phase of the New Manufacturing Facility, our Group will have a total additional annual production capacity of approximately 1.2 million units of aluminum alloy automobile wheels. The following table sets out the details of the calculation of the net cash inflow generated by our Group during the period from December 2024 to November 2025 upon completion of the construction of the second phase of the New Manufacturing Facility under different utilization rates:

Utilization rate	100%	80%	60%	40%
Increase in annual production volume (units)	1,200,000	960,000	720,000	480,000
Projected cash inflow from sales *(Note 1)* (RMB'000)	414,720	331,776	248,832	165,888
Projected cash outflow related to sales *(Note 2)* (RMB'000)	327,720	262,176	196,632	131,088
Projected net cash inflow (RMB'000)	**87,000**	**69,600**	**52,200**	**34,800**

Notes:

(1) For calculating the projected cash inflow from sales, we assume that the sales price for each unit of aluminum alloy automobile wheel is equal to the average sales price of each unit our aluminum alloy automobile wheel during the Track Record Period (i.e. RMB345.6).

(2) For calculating the projected cash outflow related to sales, we assume that the cost of sales for each unit of aluminum alloy automobile wheel is equal to the average cost of sales (excluding the non-cash items) of each unit of our aluminum alloy automobile wheel during the Track Record Period (i.e. RMB273.1).

Investment payback period refers to the length of time required to recover the Total Construction Cost from the accumulated net cash inflow to be generated from our New Manufacturing Facility since the date of the initial investment cash outflow, assuming (i) all machines and equipment will be purchased initially for illustration purpose; (ii) the sales to be generated from our New Manufacturing Facility and the respective cost of sales are computed with reference to the average sales price of our aluminum alloy automobile wheels and average per-unit cost of sales (excluding depreciation), respectively during the Track Record Period; and (iii) there will be no material impact on our sales due to fluctuation in market demand, exchange rates, inflations, increase in raw material costs or labor costs.

Based on the projected net cash inflow for the period from December 2023 to November 2025 and the relevant assumptions mentioned above, we set out below the investment payback period under different utilization rates:

Utilization rate	Investment payback period
100%	2.4 years
80%	2.7 years
60%	3.1 years
40%	4.0 years

As mentioned above, the Total Construction Cost will be approximately RMB93.9 million. Since the net cash inflow generated by our Group during the period from December 2023 to November 2024 upon completion of the construction of the first phase of the New Manufacturing Facility is less than the Total Construction Cost, our investment will not be paid back during the first two years since the commencement of the construction of the New Manufacturing Facility in December 2022. We calculate the payback time of the third or fourth (if applicable) year period with reference to this formula: (Total Construction Cost (i.e. RMB93.9 million) – Projected net cash inflow for December 2023 to November 2024) / Projected net cash inflow for December 2024 to November 2025.

Relocation of our current manufacturing facility to the New Manufacturing Facility

Our current manufacturing facility has an aggregate gross floor area of approximately 18,153 sq.m. but approximately 95% of such area is occupied by our machines and equipment (including required work stations and space reserved for safety purpose), warehouse, fire exits and safety channels while approximately 5% of the area is for our Group's temporary uses (the "**Temporary Spaces**"). However, the Temporary Spaces are split and scattered around our current manufacturing facility which can only house small equipment and none of the Temporary Spaces has an individual usable area which is large enough to accommodate an additional new heat treatment furnace of similar size for the purpose of increasing the current production capacity. Given that our current manufacturing facility has limited space to accommodate new machines and equipment and that our New Manufacturing Facility will have a significantly larger gross floor area of approximately 48,000 sq.m., we intend to relocate our current manufacturing facility to the New Manufacturing Facility. Our Directors are of the view that the relocation will have, amongst others, the following benefits and advantages: (i) our Group will be able to integrate all our machinery and equipment, warehouse and other supporting facilities for the production of our aluminum alloy automobile wheels in the same premise to enhance our production efficiency; (ii) our Group will be able to save an annual rental cost of RMB0.9 million after terminating our existing lease at the Leased Property; and (iii) our Group will have the flexibility to design and implement a desired production layout in the New Manufacturing Facility to streamline our production system. The relocation of our current manufacturing facility to the New Manufacturing Facility will take place gradually and flexibly, and is expected to be completed by the third quarter of 2025. We will concurrently operate in both manufacturing facilities to minimize the possible interruption that might be caused by the relocation. Since the New Manufacturing Facility is expected to be located on a parcel of land adjacent to our current manufacturing facility and the relocation will take place gradually, we do not expect the relocation to cause a material interruption to our operation.

License and approvals

In relation to the construction and operation of our New Manufacturing Facility, as advised by our PRC Legal Advisors, we are required to go through the procedures for obtaining the construction land use rights including the bidding, auctioning or listing procedures and fulfilling the relevant payment obligations. After obtaining the construction land use rights, we are required to obtain the Construction Land Planning Permit* (建設用地規劃許可證), the Construction Works Planning Permit* (建設工程規劃許可證) and the Construction Works Commencement Permit* (施工許可證) from the relevant authorities, and apply for the relevant environmental impact assessment approval before the construction of our New Manufacturing Facility. Furthermore, before commencement of production at our New Manufacturing Facility, we are required to pass the requisite environmental inspection and obtain the discharge permit. As advised by our PRC Legal Advisors, obtaining the aforementioned permits and approvals are only procedural in nature and there will be no legal impediment to obtain such permits and approvals and to complete the necessary procedures required for obtaining such permits and approvals.

Rationale for constructing our own manufacturing facility

In determining whether to lease an existing property from an Independent Third-Party or to acquire a parcel of land to construct our own manufacturing facility, our Directors consider owning our own property and constructing our New Manufacturing Facility to be more beneficial for our Group's operational and long-term development for the following reasons:

1. Independence of production operation

The production of aluminum alloy automobile wheels involves a complex production system with specific requirements on the placing of multiple machineries and equipment to maintain a streamlined production system. Our Directors are of the view that compared with leasing an existing property from an Independent Third-Party, owning and constructing our own manufacturing facility provides greater flexibility in designing an appropriate layout and implementing our desired production system, which can benefit our operations in the long term. On the contrary, if we lease property instead, our refurbishment and renovation plan could be restricted by the landlord and we may not be able to implement our desired layout and production system, which in turn may affect our operations in the long term.

2. Risk of relocation and disruption to operation

In addition to the operational benefits of owning our own manufacturing facility, our Directors also believe that leasing an existing property will expose us to risks and costs associated with an interruption to our operation in the event that the landlord terminates the lease. In the event that our Group is forced to relocate our manufacturing facility as a result of a termination of the lease, we will need to temporarily halt our production and identify a property with the layout and specifications that our production system can immediately fit in at comparable terms. There is no guarantee that we will be able to identify a suitable property at a comparable cost in a reasonable time. As such, our Directors consider the risk of disruption to our production and costs associated with possible relocation will be significant to our operation in the event such risks do materialize.

3. Owning our own property is more cost beneficial in the long term

The estimated annual rental cost for renting a manufacturing facility with a floor area of approximately 48,000 sq.m. in Yongkang City, Jinhua City, Zhejiang Province is approximately RMB2.4 million. The estimated rental cost is calculated with reference to the rental rate of our current manufacturing facility. Based on the estimated rental rate and the construction cost of approximately RMB28.4 million for our New Manufacturing Facility, the breakeven period is approximately 11.8 years, being the first point in time at which the total estimated annual rental costs incurred is equal to the construction cost of our New Manufacturing Facility. Given that our Group intends to use the New Manufacturing Facility in the long run, we consider the acquisition of the parcel of land to construct our own manufacturing facility to be more cost beneficial to our Group in the long term.

4. Lack of suitable properties available

Upon completion of construction, our New Manufacturing Facility is expected to have a gross floor area of approximately 48,000 sq.m. Based on our assessment of the available properties for renting in Yongkang City as at the Latest Practicable Date, we were unable to identify any such property with the suitable size, layout, location and terms that satisfies our requirements and is available for leasing. In view of the above, our Directors are of the view that leasing a similar property in Yongkang City for our New Manufacturing Facility is not practical.

Risks Related to Our Expansion Plan

Our expansion plan may result in a number of risks, including but not limited to, (i) we may place heavy pressure on our cash flows due to the expenses and capital expenditures that we incur as the result of our expansion plan. If we could not properly manage our expansion plan, our financial condition may be negatively affected; (ii) our estimated revenue and profit may not increase in proportion to our increased production capacity and expansion; and (iii) the factors and assumptions that we utilize to calculate the estimated expenditures may not be appropriate or accurate, and many unexpected events such as prolonged application for relevant permits may cause significant delay and cost overrun which will have an adverse impact on the overall estimated economic benefits brought by our expansion plan. We believe our experienced management team and comprehensive internal regulations well prepare us for the challenges and risks that come with such expansion plan.

CUSTOMERS

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket, who purchase our branded and/or non-branded aluminum alloy automobile wheels and sell them in aftermarket to meet modification, repair and maintenance needs of the end users. Although we do not have specific terms of sales in our purchase order which differ our wholesale trader customers from our retailer customers, wholesale traders usually order larger quantities of wheels with lower sales price whereas aluminum alloy automobile wheel retailers usually order smaller quantities of wheels with higher sales price.

The following table sets forth a breakdown of the number of customers, the corresponding revenue, gross profit and gross profit margin from sales of aluminum alloy automobile wheels by our major customer types for the periods indicated.

	Year ended December 31,												Five months ended May 31,							
	2019				2020				2021				2021				2022			
	Number of customers	Revenue	Gross profit	Gross profit margin	Number of customers	Revenue	Gross profit	Gross profit margin	Number of customers	Revenue	Gross profit	Gross profit margin	Number of customers	Revenue	Gross profit	Gross profit margin	Number of customers	Revenue	Gross profit	Gross profit margin
		RMB'000	RMB'000	%		RMB'000	RMB'000	%		RMB'000	RMB'000	%		RMB'000	RMB'000	%		RMB'000	RMB'000	%
Type of Customers																				
Wholesale traders . . .	183	342,508	68,399	20.0	174	344,601	73,760	21.4	138	412,019	73,200	17.8	103	151,606	25,799	17.0	96	139,032	25,684	18.5
Retailers	105	20,275	5,388	26.6	75	8,469	2,314	27.3	57	3,094	691	22.3	42	1,341	267	19.9	39	3,338	598	17.9

The following table set forth the movement of our wholesale trader and retailer customers of aluminum alloy automobile wheels for the periods indicated.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
(1) Wholesale traders				
Beginning of year/period	155	183	174	138
Addition of customer	62	56	32	23
Less: number of churned customer	34	65	68	65
End of year/period	**183**	**174**	**138**	**96**
(2) Retailers				
Beginning of year/period	88	105	75	57
Addition of customer	45	19	14	11
Less: number of churned customer	28	49	32	29
End of year/period	**105**	**75**	**57**	**39**

Notwithstanding that the number of our wholesale trader customers decreased from 183 in the year ended December 31, 2019 to 174 in the year ended December 31, 2020, our revenue generated from sales of aluminum alloy automobile wheels from wholesale trader customers increased slightly from approximately RMB342.5 million to 344.6 million for the corresponding periods. This was due to our strategy of prioritizing sales of our products to our major wholesale trader customers who placed large batch of orders with us. As a result, due to the limitation of our production capacity, we lost some wholesale trader customers as we were unable to take up their orders. For the same reasons, notwithstanding that the number of our wholesale trader customers decreased from 174 in the year ended December 31, 2020 to 138 in the year ended December 31, 2021, our revenue generated from sales of aluminum alloy automobile wheels from wholesale trader customers for the corresponding periods increased from approximately RMB344.6 million to approximately RMB412.0 million. This was also due to our sales orders from wholesale trader customers to overseas markets recovered from the adverse impact caused by the COVID-19 pandemic. For the five months ended May 31, 2021 and 2022, the number of our wholesale trader customers decreased from 103 to 96 and our revenue generated from wholesale trader customers decreased from approximately RMB151.6 million to approximately RMB139.0 million, primarily due to the impacts on export of our products to overseas markets caused by the regional outbreaks of COVID-19 in the PRC in early 2022, resulting in decrease in sales to wholesale trader customers targeting overseas markets.

Our revenue generated from sales of aluminum alloy automobile wheels from retailer customers decreased from approximately RMB20.3 million in the year ended December 31, 2019 to approximately RMB8.5 million in the year ended December 31, 2020 and our number of retailer customers decreased from 105 to 75 for the corresponding years as we prioritized fulfilling the increasing sales orders from our wholesale trader customers to overseas markets after the initial outbreak of the COVID-19 pandemic in early 2020 and therefore could not take up more orders from the retailer customers targeting the domestic market. For the year ended December 31, 2021, our revenue generated from retailer customers decreased to RMB3.1 million and our number of retailer customers decreased to 57 as we continued to focus on prioritizing the orders from our wholesale trader customers to both the overseas markets and domestic market. For the five months ended May 31, 2021 and 2022, our revenue generated from retailer customers increased from approximately RMB1.3 million to RMB3.3 million as we devoted efforts in securing more orders from the domestic markets in light of the impacts on our overseas sales caused by the regional outbreaks of COVID-19 in the PRC in early 2022, resulting in increase in sales to retailer customers targeting the domestic market.

The gross profit margin for our sales to both wholesale traders and retailers generally decreased in the year ended December 31, 2021 from the year ended December 31, 2020 primarily as a result of the increase in the cost of our raw materials. For more details, please refer to the paragraph headed "Raw Materials — Procurement of raw materials" in this section of the prospectus.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we had 199, 194, 162 and 120 recurring customers, respectively, with revenue contribution amounted to approximately RMB327.8 million, RMB325.8 million, RMB400.4 million and RMB145.0 million, respectively, representing approximately 87.6%, 90.0%, 90.9% and 96.8% of our total revenue for the corresponding periods, respectively. Meanwhile, we had 107, 69, 39 and 21 new customers, respectively, with revenue contribution amounted to approximately RMB46.2 million, RMB36.3 million, RMB40.0 million and RMB4.8 million, respectively, representing approximately 12.4%, 10.0%, 9.1% and 3.2% of our total revenue for the same periods, respectively. Our annual churn rate, calculated as the number of churned customers over a particular year divided by the number of customers of the preceding year, was approximately 27.0%, 39.9% and 41.4% for the years ended December 31, 2019, 2020 and 2021, respectively. Churned customers of a particular year refer to the customers who were our customers in the preceding year but were not our customers in that particular year. Our annual churn rate increased from approximately 27.0% for the years ended December 31, 2019 to approximately 39.9% for the years ended December 31, 2020. Based on our communication with the customers, such increase in our annual churn rate in 2020 was mainly due to (i) some customers who previously settled payment with us through third-party payors could not continue to do business with us after we informed our customers of the cessation of third-party payment arrangement, details of which are set forth in the paragraph headed "Certain settlement arrangements through third-party payors" in this section of the prospectus; (ii) some customers were adversely affected by the COVID-19 pandemic and therefore did not place orders with us; and (iii) we prioritized fulfilling increasing sales orders from our wholesale trader customers to overseas markets after the initial outbreak of the COVID-19 pandemic in early 2020 and therefore could not take up more orders from some of the retailer customers targeting the domestic market.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from our top five customers amounted to approximately RMB122.7 million, RMB128.1 million, RMB169.5 million and RMB48.7 million, respectively, representing approximately 32.9%, 35.3%, 38.5% and 32.4% of our total revenue for the same periods, respectively. For the same periods, revenue generated from the sales to our largest customer amounted to approximately RMB38.1 million, RMB39.5 million, RMB46.7 million and RMB15.3 million, representing approximately 10.2%, 10.9%, 10.6% and 10.2% of our total revenue, respectively. We have maintained stable and long-term business relationship with a group of highly loyal customers. Our top five customers during the Track Record Period have on average of around six years of business relationship with us.

During the Track Record Period, all of our top five customers are Independent Third Parties. To the best knowledge of our Directors, none of our current or former employees were employees of our top five customers and none of our Directors, members of senior management or their close associates or Shareholders of our Group has any interest in any of our top five customers during the Track Record Period. Also, none of our top five customers were also our suppliers during the Track Record Period.

The following table provides an overview on the key information about our top five customers during the Track Record Period.

Year ended December 31, 2019

No.	Customer	Revenue derived from the customer	Percentage of our total revenue	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date	Country/ region
		RMB'000	%			Years	
1.	Treasure One Company Co Ltd(1)	38,070	10.2	Payment after receiving bill of lading	Letter of credit	6	Japan
2.	UAB Group(2)	29,267	7.8	Payment upon delivery	Bank transfer	13	Lithuania
3.	BSA Group(3)	22,302	6.0	Payment upon delivery	Bank transfer	10	United States and United Kingdom
4.	Alkatec Automotive Srl(4)	16,769	4.5	90 days after bill of lading date	Bank transfer	8	Italy
5.	168406 Canada Inc(5)	16,271	4.4	Payment upon delivery	Bank transfer	8	Canada
Total		**122,679**	**32.9**				

Year ended December 31, 2020

No.	Customer	Revenue derived from the customer	Percentage of our total revenue	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date	Country/ region
		RMB'000	%			Years	
1.	BSA Group(3)	39,479	10.9	Payment upon delivery	Bank transfer	10	United States and United Kingdom
2.	UAB Group(2)	31,656	8.7	Payment upon delivery	Bank transfer	13	Lithuania
3.	168406 Canada Inc(5)	24,399	6.7	Payment upon delivery	Bank transfer	8	Canada
4.	Treasure One Company Co Ltd(1)	19,372	5.3	Payment after receiving bill of lading	Letter of credit	6	Japan
5.	Siborui Group(6)	13,243	3.7	Payment upon delivery	Bank transfer	3	United States
Total		**128,149**	**35.3**				

Year ended December 31, 2021

No.	Customer	Revenue derived from the customer	Percentage of our total revenue	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date	Country/ Region
		RMB'000	%			Years	
1.	UAB Group[(2)]	46,708	10.6	Payment upon delivery	Bank transfer	13	Lithuania
2.	BSA Group[(3)]	37,003	8.4	Payment upon delivery	Bank transfer	10	United States and United Kingdom
3.	168406 Canada Inc[(5)]	32,960	7.5	Payment upon delivery	Bank transfer	8	Canada
4.	Jinbeilun (Xiamen) Import and Export Co Ltd[(7)]	28,991	6.6	Payment after acceptance	Bank transfer	1	Fujian, PRC
5.	Siborui Group[(6)]	23,791	5.4	Payment upon delivery	Bank transfer	3	United States
Total		**169,453**	**38.5**				

Five months ended May 31, 2022

No.	Customer	Revenue derived from the customer	Percentage of our total revenue	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date	Country/ Region
		RMB'000	%			Years	
1.	Jinbeilun (Xiamen) Import and Export Co Ltd[(7)]	15,348	10.2	Payment after acceptance	Bank transfer	1	Fujian, PRC
2.	UAB Group[(2)]	11,220	7.5	Payment upon delivery	Bank transfer	13	Lithuania
3.	BSA Group[(3)]	9,499	6.3	Payment upon delivery	Bank transfer	10	United States and United Kingdom
4.	168406 Canada Inc[(5)]	6,512	4.3	Payment upon delivery	Bank transfer	8	Canada
5.	Wheel Pros, LLC[(8)]	6,097	4.1	90 days after acceptance	Bank transfer	2	United States
Total		**48,676**	**32.4**				

Notes:

(1) It is a limited company by shares established in 2004, which primarily engages in sales of automobile tires, wheels, and parts.

(2) During the Track Record Period, we cooperate with two companies that are under the common control of the same ultimate shareholder. They are (i) Vorteka UAB, a private limited liability company registered in 2013, which primarily engages in the wholesale trade of motor vehicle parts and accessories; and (ii) UAB Mediara, a limited liability company registered in 2016, which primarily engages in road freight transport and other associated services.

(3) During the Track Record Period, we cooperate with two companies which are under the common control of the same ultimate shareholder. They are (i) Bay Speed Aerokit LLC and (ii) Clear Water Co., Ltd incorporated in 2015 and 2016, respectively. They are limited liability companies primarily engage in manufacturing and distribution of exterior styling parts for cars, trucks and sport utility vehicles.

(4) It is a limited liability company incorporated in 2016, which primarily engages in design and manufacturing of alloy wheels for OEM and aftermarket.

(5) It is a joint stock company incorporated in 1989, which primarily engages in manufacturing and wholesale distribution of wheels, tires and accessories.

(6) During the Track Record Period, we cooperate with two companies which are under the common control of the same ultimate shareholder. They are (i) Siborui USA, Inc. and (ii) Borui Inc registered in 2016 and 2019, respectively. They are domestic stock companies primarily engage in wholesale of wheels.

(7) It is a limited liability company established in 2020, which primarily engages in wholesales of vehicles spare parts, motorcycle spare parts, mechanic devices and electronic products.

(8) It is a general domestic limited liability company incorporated in 2003, which primarily engages in designing, manufacturing, marketing, distributing, and branding wheels, tries and accessories for cars, SUV and trucks.

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket and we generally engage in a seller-buyer relationship with our customers, rather than a principal-agent one. Our Directors are of the view, which is concurred by the Sole Sponsor after conducting its due diligence work, that our customers are not our distributors, franchisees or consignees because (i) our customers conduct trading and distribution in their own right without our involvement; (ii) we do not typically enter into any long-term sales framework agreements with our customers and all sales to our customers are conducted under separately negotiated purchase order; (iii) we neither impose any requirements nor have control on the business operations of our customers after we complete the transaction with our customers; (iv) we do not impose any restrictions on resale regions for our customers; (v) we place no requirements for the subsequent sale of our products, such as the minimum price, minimum sales amount, sales targets or specific packaging; (vi) we have no control over the ultimate end users to whom our customers sell our products; and (vii) we normally do not accept product returns and will only process product returns on a discretionary basis if such returns were made due to product defects. Moreover, according to Frost & Sullivan, our sales channel and model is largely in line with the sales channel and model adopted by aluminum alloy automobile wheel manufacturers in the PRC. The Sole Sponsor, having considered its due diligence work and the discussion with our management regarding our business model, is of the view that (i) our Group does not adopt a distributorship business model as stipulated in Guidance Letter HKEX-GL36-12; and (ii) the common risks associated with distributorship model as stipulated in Guidance Letter HKEX-GL36-12 generally does not apply to our Group's business.

The Sole Sponsor has further assessed our Group's risk of channel stuffing. Based on its due diligence work, the Sole Sponsor noticed that (i) our Group do not have contractual terms in relation to (a) minimum purchase amount or minimum sales target; and (b) goods return or refund policy in our purchase orders. As part of our post-sales customer service, we may only allow customers to return products due to product defects on a discretionary basis in order to maintain a cordial relationship with our customers; (ii) the units and sales amount of aluminum alloy automobile wheels returned by our customers as a result of product defects during the Track Record Period were insignificant; (iii) a significant amount of our Group's outstanding trade and bills receivables during the Track Record Period were within three months and we did not experience significant fluctuation in the trade and bills receivables turnover days, both of which indicate a stable settlement pattern from our customers and there were no signs of long outstanding trade and bills receivables which were material in nature; and (iv) the subsequent settlement of our major customers was generally satisfying. In view of the aforementioned factors and having understood from our major customers during the Track Record Period regarding (a) the resell status of our products to their end customer; (b) their level of inventory; and (c) the frequency of their placing purchase order with our Group, the Sole Sponsor is of the view that there is no adverse factor which could suggest the risk of channel stuffing.

Moreover, in view of the business model adopted by us, in particular, (i) we generally require our customers to pay on a payment upon delivery basis; and (ii) we do not allow goods return or refund unless due to product defects, and its due diligence work, the Sole Sponsor is of the view that our Group's risk of channel stuffing is low.

As we do not enter into distributorship agreements with our customers generally, we may be subject to risk of market cannibalization. However, our Directors are of the view that such risk is remote given that (i) the majority of our revenue is derived from overseas market comprising multiple countries and territories and according to Frost & Sullivan, in terms of exported value of aluminum alloy automobile wheel, our market share in the aluminum alloy automobile wheel market in PRC is approximately 1.0% in 2021. In addition, our market share in each geographical market is insignificant; (ii) for each of the financial years during the Track Record Period, over 40% of our overseas customers purchase aluminum alloy automobile wheels with molds and design which are custom-made and designated to the customer, which reduces the likelihood of identical products appearing in the same geographical market; and (iii) the majority of our revenue is derived from sales of non-branded aluminum alloy automobile wheels which are sometimes affixed with our customer's own branding, thereby minimizing the possibility of market cannibalization. According to Frost & Sullivan, aluminum alloy automobile wheel product has an enormous downstream market covering both OEM and aftermarket segments, such demand is rigid and also stable, and new products can be easily consumed by the large base of customers. Therefore, market cannibalization in aluminum alloy automobile wheel market is rarely seen. Our sales and marketing team will further closely monitor the sales channels of our aluminum alloy automobile wheels and shall take necessary procedures and steps such as entering into exclusive distribution agreements with customers should the risk of market cannibalization become apparent in one of our geographical markets.

To the best knowledge of our Directors, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, there were two, three, nil and nil customers which engaged procurement representatives or agent in the PRC, respectively, and there were in total three customers with such arrangement. Due to the cessation of Third-Party Payment Arrangement, we have ceased all business dealings with the three customers as well as their procurement representatives and agents since September 2020. Therefore, for the year ended December 31, 2021 and the five months ended May 31, 2022, there was no transaction between the three customers including their procurement representatives or agent and our Group. The total revenue contribution of customers which engaged procurement representatives or agents in the PRC was approximately RMB4.7 million, RMB1.7 million, nil and nil for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing approximately 1.2%, 0.5%, nil and nil of our total revenue for the same periods. Our Group have known of the procurement representatives and agents through trade exhibition for around 5 years. To the best knowledge and belief of our Directors, all of the three procurement representatives and agents are individuals who mainly engage in providing intermediary services for oversea companies to procure products from manufacturers in the PRC in return for service fees.

Among the three customers, two of them engaged procurement representatives for placing orders with us on behalf of the respective customers and the daily communication with us; and one of them engaged agent for providing general advice on the business and operation of the customer in the PRC and the communication with our management. Based on our Directors' understanding, the three customers made such arrangement because (i) such procurement representatives or agent understand Chinese language and are familiar with conducting business in the PRC; and/or (ii) the owners/employees of the respective customers were not based in the PRC. According to Frost & Sullivan, it is not uncommon for overseas customers to engage procurement representative or agent to assist them in conducting business in the PRC in the manufacturing industry, including aluminum alloy automobile wheel industry.

Our customers purchase "BYW" branded as well as non-branded aluminum alloy automobile wheels. For non-branded aluminum alloy automobile wheels, some of our customers attach their own brands to our products and sell to their customers under their own brands.

Purchase Order

We typically enter into separate purchase order with customers for each batch of aluminum alloy automobile wheels they ordered. Our relationship with our customers is primarily bound by such purchase order instead of long-term framework sales agreements. Our customers generally place orders specifying types, design, color and quantities of aluminum alloy automobile wheels they want to order. The purchase orders usually set forth the following terms:

- Full name of the customer;
- Time of signing the purchase order;
- Price and quantity of the units ordered;
- Product specifications including primarily parameters (number of bolt holes, pitch circle diameter and offset etc.), size and color; and
- The transportation method and delivery deadline.

Post-sale Customer Services

For our customers located in both the PRC and overseas countries and territories, we typically agree to pay compensation to the complaining customer if it is determined that the complaint is substantiated and we are liable for the defective products. Allocation of liability will be determined upon examination of the products on a case-by-case basis and through good faith negotiation. We typically limit our liabilities to defects resulting from unqualified manufacturing process.

In general, we do not have contractual terms in relation to goods return or refund in our purchase order. As part of our post-sale customer service, we may allow customers to return the products due to product defects on a discretionary basis in order to maintain a cordial relationship with our customers. The products returned from the customers will be examined by our quality control staff to determine whether we are liable. If we are liable, the relevant transaction will be cancelled and we will arrange for refund. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the amount of sales return received by us were approximately 810, 600, 680 and 40 units of aluminum alloy automobile wheels, respectively, amounting to approximately RMB323,000, RMB282,000, RMB204,000 and RMB10,000, respectively.

During the Track Record Period, our products were delivered to and sold in countries and territories with product liability regulations pursuant to which we may be liable for product safety and liability of the vehicles using the aluminum alloy automobile wheels manufactured by our Group. During the Track Record Period and up to the Latest Practicable Date, there was no actual or threatened material product liability claim against us, and we did not receive any material product returns or make any large-scale product recalls due to any quality defects. Furthermore, during the Track Record Period, we did not make any provisions in relation to any product liability issues. For the risk of potential product liability to which we may be exposed, please refer to the section headed "Risk Factors — Risks related to our business and industry — We may be subject to product liability claims that are beyond our insurance coverage or suffer losses in connection with product recalls" in this prospectus.

In addition, to maintain a cordial relationship with our customers, when our customers inform us about minor defects of the products which do not substantially affect the functionality of the wheels and do not fit for a sales refund, we reimburse the customers for the relevant costs incurred in rectifying such minor defects, which are generally immaterial in amount. Therefore, such expenses associated with defective products are in nature maintenance expenses in relation to minor defects in our products. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our maintenance expenses incurred in relation to defective products amounted to approximately RMB195,000, RMB35,000, RMB283,000 and RMB122,000, respectively.

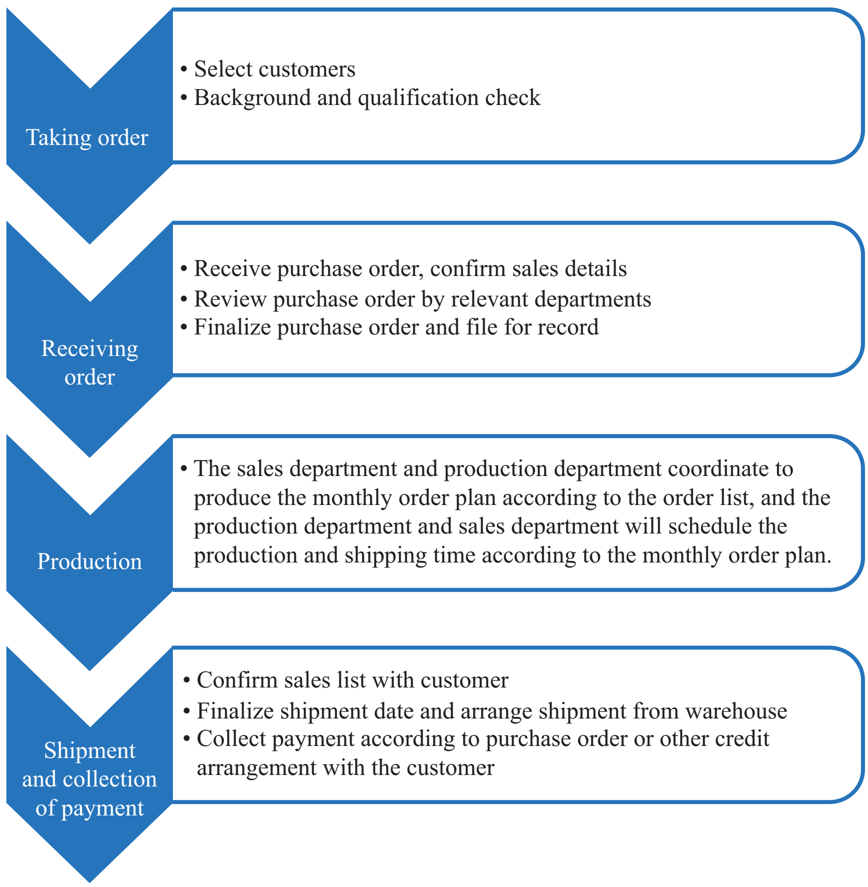
SEASONALITY

Our business in the aftermarkets of aluminum alloy automobile wheels is generally not seasonal in nature. However, our production level is generally affected by the Chinese New Year holidays. The production level of our products is usually lower in the first quarter than other quarters of the year.

SALES AND DISTRIBUTION

Overview

During the Track Record Period, our sales mechanism can be summarized as below:



Geographical distribution coverage

During the Track Record Period, we sold our products to customers located in both the PRC and overseas countries and territories. We had 306, 263, 201 and 141 customers located in 52, 53, 38 and 27 countries and territories for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

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

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

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

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

Note:

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

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

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

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

From 2019 to 2021, we focused on increasing our sales to selected overseas markets through our active participation in various international trade exhibitions, and the increase in our sales to overseas markets during such period was mainly driven by the increase in our sales to the United States. Meanwhile, our sales to overseas markets for the five months ended May 31, 2022 were affected by the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets due to the restrictions on transportation to the port area. The revenue deriving from our overseas market amounted to approximately RMB279.7 million, RMB263.0 million, RMB291.8 million and RMB90.2 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Our overseas revenue represents approximately 74.8%, 72.6%, 66.2% and 60.2% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

In selecting overseas market to expand, we evaluate a number of factors, primarily including potential market's social and economic stability, soundness of legal system and market entry barrier.

Customers in the PRC

We had 204, 169, 134 and 97 customers located in the PRC in the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. In the future, we plan to continue to expand and develop our domestic customer base and promote our own brand by selling more branded products. In 2018, we received the Certificate of Zhejiang Name Brand (浙江名牌產品證書) and "Zhejiang Made" certification (浙江製造認證證書), which allowed us to expand and develop our own brand in the domestic market. Furthermore, we plan to explore the opportunity of using online platforms to promote our brand and to raise our brand awareness in the domestic market.

Customers from overseas

We had 102, 94, 67 and 44 customers located in 51, 52, 37 and 26 overseas countries and territories for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

After more than ten years of market development, we have established a strong footing in the United States, Canada, Japan and different countries in the EU. Our overseas customer base allows us to diversify our risks and reduced the possibility of the occurrence of events which may have material impacts on our revenue. In the future, our main priority is to strengthen our business relationship with our existing customers while developing new relationship with potential customers located in Central and South America, Australia and Africa.

Pricing and Payment Terms

Pricing

We maintain an internal list of reference prices for our products which has taken into account various factors, including but not limited to market price and cost of raw material. We categorize our products based on the size of the aluminum alloy automobile wheels and other specifications and assign each category a reference price. Price of each batch of products is negotiated with the customers at arm's length and adjusted based on our internal reference price and the quantities of wheels ordered. In addition, we will consider the skill and technique applied on the wheels when negotiating with our customers, but we do not set our product price specifically based on the customer types or the region to which our products are sold to.

Fluctuations in the aluminum alloy ingot price is the primary factor affecting our product price as the aluminum alloy ingot accounts for over half of our cost of sales. A time gap generally exists between the point when the sales price is determined with customers and the point when the products are produced. As a result, we may not be able to effectively pass on the increase in cost of materials to our customers if the materials used for production are procured after the sales price is determined and there is a sharp increase in the price of raw materials during the time gap. According to Frost & Sullivan, the general production time gap for aluminum alloy automobile wheels manufacturers in the PRC is approximately three to six months, and the production time gap of our manufacturing facility is generally within such range of time. As a result of the significant increase in the price of raw materials within a short period of time, our overall gross profit margin decreased from 21.4% for 2020 to 17.5% for 2021. In order to mitigate future impact of the increase in cost of raw materials on our results of operations, we have implemented the following measures: (i) we will strive to ensure that purchase orders are placed on the basis that there is sufficient inventory of raw materials to satisfy the purchase order thereby ensuring that the price is set with reference to the cost of the current inventory of raw materials; (ii) in the event where there is insufficient inventory of raw materials to satisfy the purchase order, we will strive to ensure our purchase orders are processed and completed within two months in order to minimize the discrepancy between the cost estimated for production and the actual cost incurred if raw materials are procured after the purchase order is placed; (iii) we will closely monitor the latest price trend of our raw materials and conduct weekly reviews on pending purchase orders and production schedule to ensure any necessary price adjustments are implemented on a timely basis. For more details, please refer to "Raw materials — Procurement of raw materials" in this section of the prospectus.

Furthermore, when setting price for our products sold to overseas markets, the latest foreign exchange rate will also be considered and we will make necessary adjustment to our sales price when there is material fluctuation in the foreign exchange rate. The final sales price should not be lower than the reference price unless it is approved by our general manager.

Payment terms

When dealing with our customers located in the PRC, we generally require our customers to pay in the form of bank transfer or bank's acceptance. For customers located in overseas countries and territories, we generally require our overseas customers to pay in the form of bank transfer or letter of credit. We generally do not grant credit period to our customers, except for a few of our major PRC and overseas customers where we may grant a credit period of no longer than 90 days.

In line with the industry norm, we insure our transactions by purchasing export credit insurance from China Export and Credit Insurance Corporation, the sole provider of such insurance in the PRC through which we can recover up to 90% of value of the products insured should the customers fail to pay.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our average turnover days of trade and bills receivables were 47.0 days, 55.8 days, 59.3 days and 80.0 days, respectively.

Sales and Marketing

As of May 31, 2022, our overseas sales department had a team of 13 employees, which included one manager. As of May 31, 2022, our overseas sales team covered sales to 36 countries and territories. As of May 31, 2022, our domestic sales department had a team of 4 employees, which included one manager.

Our overseas and domestic sales staff have experience in the sales and automotive industry and are familiar with industry practices. As of May 31, 2022, staff from our overseas sales team have an average of around five years of relevant experience and staff from our domestic sales team have an average of eight years of relevant experience.

Our sales staff are primarily responsible for (i) gathering market intelligence, conducting market research and understanding the market trend so as to help our customers to solve market related issues; (ii) continuing to enhance business relationship with our existing customers while exploring and expanding our sales network; (iii) formulating and executing customized marketing and promotional plans to the target group of existing and potential customers; (iv) updating the management on a daily basis about the market condition, customers feedbacks and progress on the sales target; and (v) managing post-sale comments and complaints.

During the Track Record Period, we attracted new customers mainly by actively participating in industrial exhibitions to promote our products. In the future, we plan to fully utilize online platforms such as Amazon.com in overseas markets and T-mall in the PRC to increase our brand recognition and popularity.

Sales to the United States and impact of the China-United States trade frictions

The United States is our largest overseas single-country market during the Track Record Period. For the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, revenue generated from the United States market accounted for approximately 10.5%, 18.9%, 19.6% and 17.6% of our total revenue of the same periods, respectively.

Following the start of China–United States trade frictions in 2018, our sales to the United States were negatively affected. Since 2018, the United States had imposed tariff ranging from 7.5% to 25% on a total of approximately US$370 billion worth of Chinese exports. In September 2018, the United States imposed a 10% import tariff on Chinese aluminum alloy automobile wheels. Subsequently, in May 2019, the United States increased the import tariff to 25% on the relevant Chinese aluminum alloy automobile wheels. The U.S. announced on March 23, 2022 that they would reinstate 352 expired product exclusions from U.S. "Section 301" tariffs on Chinese imports, which do not include Chinese aluminum alloy automobile wheels. The reinstated product exclusions will apply as of October 12, 2021, and extend through December 31, 2022.

We undertook measures to mitigate the negative impact of the tariff on our products. As a result, we did not experience significant decrease in revenue derived from the U.S. market in 2019. We also had an increase of sales volume in the United States from 2018 to 2019. Measures we undertook to mitigate the negative impact of the tariffs on our products include (i) diversifying our revenue sources in the overseas market, pursuant to which our sales to overseas market other than the United States increased from 2018 to 2019; and (ii) price adjustments, which included reduction of unit price of aluminum alloy automobile wheel in 2019 compared to that of 2018 to the U.S. market. A lowered sales price helped partially absorb the impact resulting from the increased tariffs on our products. In addition to the measures taken by us to mitigate the impact of China-United States trade dispute, we were also able to maintain steady sales to BSA Group, one of our top five customers located in the United States who contributed revenue of approximately RMB20.5 million, RMB36.2 million, RMB33.9 million and RMB9.2 million from sales to the United States in the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Given the measures we undertook to mitigate the impact of the China-United States trade dispute and our steady relationship with BSA Group in the United States, we were able to minimize the impact of the China-United States trade dispute.

According to Frost & Sullivan, although the China-United States trade friction had a negative impact on U.S. import of aluminum alloy automobile wheels from China in the aftermarket segment in general, China remains the single largest exporter of aluminum alloy automobile wheels in the aftermarket automotive industry in the United States. According to Frost & Sullivan, the reliance on aluminum alloy automobile wheels imported from China for the aftermarket automotive industry in the United States will likely remain stable in the near future despite the uncertainties pertaining to the China-United States trade friction. Our Directors are of the view, which is concurred by Frost & Sullivan, that the reliance on aluminum alloy automobile wheels imported from China in the aftermarket segment in the United States is primarily attributable to the quality and price appeal of the aluminum alloy automobile wheels as well as the well-established manufacturing capacity by aluminum alloy automobile wheel manufacturers in China who are able to produce a large quantity of aluminum alloy automobile wheels in different style and design, which will remain as an advantage in the perspective of importers and end-customers in the United States in the near future.

Despite the impact of the COVID-19 pandemic and uncertainties pertaining to the Phase One Agreement signed between the United States and the PRC in January 2020, our revenue generated from the United States increased from approximately RMB39.1 million in 2019 to approximately RMB68.6 million in 2020, mainly attributable to an increase in our sales to BSA Group and Siborui Group in the United States. In 2021, our revenue generated from the United States further increased to approximately RMB86.2 million primarily due to the increase in sales to Siborui Group in the United States. For the five months ended May 31, 2021 and 2022, our revenue generated from the United States remained relatively stable at approximately RMB27.8 million and approximately RMB26.3 million despite the impacts caused by the regional outbreaks of COVID-19 in the PRC in early 2022 which caused delay in delivery of our products to overseas markets.

The table below sets forth the sales volume and revenue by quarter in the United States for the periods indicated.

	2019		2020		2021		2022	
	Volume (Unit)	**Revenue (RMB'000)**	**Volume (Unit)**	**Revenue (RMB'000)**	**Volume (Unit)**	**Revenue (RMB'000)**	**Volume (Unit)**	**Revenue (RMB'000)**
The first quarter	15,798	5,642	14,055	6,836	34,965	15,469	32,359	16,581
The second quarter	29,403	11,757	30,070	13,280	42,242	18,555	33,213	17,956
The third quarter	26,853	10,640	44,854	19,401	58,271	28,021	26,352	14,223
The fourth quarter	25,058	11,083	68,016	29,061	43,594	24,156	N/A	N/A
Total	**97,112**	**39,122**	**156,995**	**68,578**	**179,072**	**86,201**	**91,924**	**48,760**

CERTAIN SETTLEMENT ARRANGEMENTS THROUGH THIRD-PARTY PAYORS

During the Track Record Period, 81 of our customers (the "**Relevant Customer(s)**") settled their outstanding payments (the "**Third-Party Payment**") to us through third parties (the "**Third-Party Payor(s)**"). The aggregate amounts that were settled through Third-Party Payments by the Relevant Customers were approximately RMB69.8 million, RMB40.9 million, nil and nil for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing approximately 18.7%, 11.3%, nil and nil of our total revenue for the corresponding periods. The aggregate revenue contribution from the Relevant Customers were approximately RMB149.5 million, RMB61.6 million, nil and nil for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing approximately 40.0%, 17.0%, nil and nil of our total revenue for the corresponding periods, and the gross profit from the Relevant Customers were approximately RMB31.7 million, RMB10.3 million, nil and nil for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing approximately 43.0%, 13.3%, nil and nil of our total gross profit for the corresponding periods. As certain Relevant Customers might have utilized Third-Party Payment in a given year but did not do so in another year during the Track Record Period, the revenue and gross profit contribution is calculated without taking into account the revenue and gross profit generated from the Relevant Customers for the year(s) in which such Relevant Customers did not utilize any Third-Party Payment. We did not receive any Third-Party Payment for the year ended December 31, 2021 and the five months ended May 31, 2022.

Transaction Flow

In general, our customers place purchase orders and make payments in accordance with their specific credit term to settle outstanding payables to us. In the case of payment by the Relevant Customer through Third-Party Payment, the Relevant Customer arranges the Third-Party Payment on its own without prior notice to us (the "**Third-Party Payment Arrangement**"). Once payment is made, the Relevant Customer will inform our sales staff and provide us with the proof of the relevant payment to allow us to reconcile the amount we receive in our bank accounts. We have not experienced any difficulties in reconciling the payments that we have received. Save for passively receiving the payment, we do not involve in any arrangements between the Relevant Customers and their respective Third-Party Payors pursuant to which the Third-Party Payments were made, nor have we been involved in any payment process or settlement procedures between them.

The following tables set forth (i) the amounts of Third-Party Payments and (ii) the total revenue from the Relevant Customers (without taking into account the revenue generated from the Relevant Customers for the years in which such Relevant Customers did not utilize any Third-Party Payment), by country/territory of the Relevant Customers during the Track Record Period, except for the year ended December 31, 2021 and the five months ended May 31, 2022 during which we did not receive any Third-Party Payments:

Year ended December 31, 2019

No.	Country/territory of the Relevant Customers	Amount of Third-Party Payments RMB'000	%	Revenue[(1)] RMB'000	%
1	Hong Kong	11,489	16.4	14,122	9.4
2	UAE	9,534	13.6	9,805	6.6
3	U.S.	6,567	9.4	22,892	15.3
4	Nigeria	5,779	8.3	6,357	4.3
5	The PRC	5,565	8.0	11,686	7.8
6	Pakistan	4,443	6.4	5,104	3.4
7	Yemen	4,361	6.2	4,450	3.0
8	Italy	3,466	5.0	16,769	11.2
9	Lithuania	3,179	4.6	30,259	20.2
10	Others	15,464[(2)]	22.1	28,060[(3)]	18.8
	Total	**69,847**	**100.0**	**149,504**	**100.0**

Notes:

(1) The geographical location of the Relevant Customer set out in this table refers to the place of incorporation of the Relevant Customer. Therefore, the revenue generated from the Relevant Customer in certain country or territory in this table refers to the revenue generated from the Relevant Customer which is incorporated in that country or territory. However, it does not necessarily mean that our Group has delivered our products to that country or territory.

(2) "Others" include Dominican Republic, Morocco, Mexico, Taiwan, Syria, Iraq, Iran, U.K., Spain, Crimea, Egypt, Armenia, South Korea, Philippines, Kosovo, Turkmenistan, Brazil, Serbia, Uzbekistan, Libya, Malaysia, Bulgaria, Estonia, Cambodia and Laos.

(3) "Others" include Taiwan, Dominican Republic, Brazil, Mexico, Morocco, Syria, U.K., Spain, Iran, Iraq, Cambodia, Kosovo, Serbia, Crimea, South Korea, Malaysia, Egypt, Armenia, Philippines, Turkmenistan, Bulgaria, Estonia and Uzbekistan.

Year ended December 31, 2020

No.	Country/territory of the Relevant Customers	Amount of Third-Party Payments RMB'000	%	Revenue[(1)] RMB'000	%
1	Lithuania	9,476	23.2	598	1.0
2	Yemen	6,546	16.0	5,034	8.2
3	Nigeria	4,922	12.0	4,705	7.6
4	Hong Kong	3,965	9.7	7,448	12.1
5	The PRC	3,738	9.1	13,583	22.1
6	UAE	3,301	8.1	3,356	5.4
7	Italy	1,312	3.2	12,873	20.9
8	Others	7,610[(2)]	18.7	13,979[(3)]	22.7
	Total	**40,870**	**100.0**	**61,576**	**100.0**

Notes:

(1) The geographical location of the Relevant Customer set out in this table refers to the place of incorporation of the Relevant Customer. Therefore, the revenue generated from the Relevant Customer in certain country or territory in this table refers to the revenue generated from the Relevant Customer which is incorporated in that country or territory. However, it does not necessarily mean that our Group has delivered our products to that country or territory.

(2) "Others" include Dominican Republic, Armenia, Morocco, Russia, Taiwan, Iran, Pakistan, Iraq, Laos, Uzbekistan, U.K., Mexico, Kenya, Serbia, Libya, Kosovo, South Korea, Peru, Brazil, Bulgaria, Turkmenistan and Cambodia.

(3) "Others" include Dominican Republic, South Korea, Brazil, Taiwan, Armenia, Cambodia, Russia, Mexico, Peru, Morocco, Iraq, Laos, Serbia, U.K., Kosovo, Bulgaria, Uzbekistan, Kenya, Libya and Pakistan.

The amount of Third-Party Payments in each of 2019 and 2020 of the Track Record Period is generally lower than the total revenue generated from the Relevant Customers, primarily because some of the Relevant Customers settled part of the transaction amount with us directly in the respective year.

The total revenue derived from the Relevant Customers decreased from RMB149.5 million for the year ended December 31, 2019 to RMB61.6 million for the year ended December 31, 2020 primarily due to the rectification of the Third-Party Payment Arrangement by some of our major Relevant Customers. In particular, BSA Group, one of our major Relevant Customers in the United States who contributed revenue of approximately RMB39.5 million in 2020, did not utilize Third-Party Payment Arrangement in 2020 and UAB Group, one of our major Relevant Customer in Lithuania, carried out most of its transactions with our Group directly through its designated entity in 2020 and such entity contributed revenue of approximately RMB31.1 million in 2020.

The following tables set forth the amounts of Third-Party Payments by the origin of payment made by Third-Party Payors during the Track Record Period except for the year ended December 31, 2021 and the five months ended May 31, 2022 during which we did not receive any Third-Party Payments:

Year ended December 31, 2019

		Amount of Third-Party Payments	
No.	**Origin of payment made by Third-Party Payors**	**RMB'000**	**%**
1	Hong Kong	13,691	19.6
2	U.K.(1)	10,483	15.0
3	U.S.	8,229	11.8
4	UAE	7,707	11.0
5	Nigeria	5,779	8.3
6	Saudi Arabia	5,260	7.5
7	Lithuania	3,179	4.6
8	Turkey	2,114	3.0
9	Others(2)	13,405	19.2
	Total	**69,847**	**100.0**

Notes:

(1) For the year ended December 31, 2019, BSA Group was our third largest customer which includes two companies, Bay Speed Aerokit LLC ("**BSA**") and Clear Water Co., Ltd ("**Clear Water**"), both of them are under the common control of the same ultimate shareholder.

Approximately 57.7% of the Third-Party Payments originated from the U.K. in 2019 was arranged by BSA, our second largest Relevant Customer in 2019 through payment by its related party Clear Water, which is regarded as Third-Party Payment under reason (iii) as further elaborated in the paragraph headed "Certain settlement arrangements through Third-Party Payors — Reasons for utilizing Third-Party Payors" in this section of the prospectus. As a result, a significant amount of the Third-Party Payments was originated from the U.K. in 2019. Based on our communication with the ultimate shareholder of BSA Group, the ultimate shareholder preferred to arrange company with higher liquidity to make centralized overseas payment. Since Clear Water had sufficient cash in its account at the relevant time, for the convenience of administrative arrangement and to avoid the trouble of transferring money internally to save time and cost, BSA used Clear Water to settle payment with us in 2019.

(2) "Others" include Dominican Republic, Germany, Mexico, Belize, Spain, Taiwan, Switzerland, Madagascar, Morocco, Malaysia, Singapore, Pakistan, Russia, Serbia, Philippines, Kuwait, Palestine, Chile, Ireland, Georgia, Seychelles, Armenia, Peru, Lebanon, Bulgaria, Cambodia and Slovakia, each with a Third-Party Payment amount of less than 3% of the total amount of Third-Party Payments.

Year ended December 31, 2020

		Amount of Third-Party Payments	
No.	**Origin of payment made by Third-Party Payors**	**RMB'000**	**%**
1	Lithuania	9,476	23.2
2	Hong Kong	6,619	16.2
3	Saudi Arabia	5,236	12.8
4	U.S.	4,383	10.7
5	Nigeria	3,046	7.5
6	UAE	2,931	7.2
7	Taiwan	1,930	4.7
8	Turkey	1,438	3.5
9	Others[1]	5,811	14.2
	Total	**40,870**	**100.0**

Note:

(1) "Others" include Dominican Republic, the PRC, Germany, Belize, Switzerland, Morocco, Laos, Uzbekistan, U.K., Dubai, Mexico, Kenya, Serbia, Peru, Bulgaria, Seychelles, Singapore, Cambodia and Norway, each with a Third-Party Payment amount of less than 3% of the total amount of Third-Party Payments.

For the years ended December 31, 2019 and 2020, the total amount of Third-Party Payments received by our Group dropped sharply from RMB69.8 million in 2019 to RMB40.9 million in 2020. As a result, there was a general decrease in the amount of Third-Party Payments from 2019 to 2020 in most of the major countries/territories of the Relevant Customers as well as in most of the major countries/territories from which the payments were made by the Third-Party Payors. Although we informed our customers in May 2020 that we would stop allowing our customers to settle payments through Third-Party Payments, it was only until the beginning of September 2020 that we have ceased receiving any Third-Party Payments. Since different Relevant Customers ordered different amount of products from us before May 2020 and the duration of time they needed to cease the Third-Party Payment Arrangement differs, the extent of the decrease in the amount of the Third-Party Payments by country/territory of the Relevant Customer as well as by the origin of payment made by the Third-Party Payors from 2019 to 2020 varies.

However, despite the general trend of decrease of Third-Party Payments from 2019 to 2020, (a) the amount of Third-Party Payments from Relevant Customers in Lithuania or originated from Lithuania increased for the same years as one of our major Relevant Customers in Lithuania settled a substantial amount of payment through Third-Party Payors during the first two months of 2020 in respect of its transactions in 2019; and (b) the amount of Third-Party Payments from the Relevant Customers in Yemen increased for the same years due to (i) the increase in sales to the only Relevant Customer in Yemen in 2020; and (ii) such Relevant Customer in Yemen settled part of the payment through Third-Party Payors in January 2020 in respect of its transactions in 2019.

During the years ended December 31, 2019 and 2020, some of the Relevant Customers used more than one Third-Party Payor to settle their transaction amounts with us. Based on our Directors' understanding, these Relevant Customers used more than one Third-Party Payor during the Track Record Period mainly because (i) some of the Third-Party Payors provide money remittance service and different service providers may be used depending on the availability of such service and the available exchange rate and processing fee provided at the time; (ii) some Relevant Customers engaged multiple Third-Party Payors to settle the transaction amounts with us due to payment limits in their own jurisdictions; (iii) the Relevant Customers arranged more than one related party to settle the transaction amounts with us due to their internal operational practice and for convenience; and (iv) the Relevant Customers had more than one downstream customer who settled the transaction amounts with us. The following table sets forth the respective number of Relevant Customers who used one or more than one Third-Party Payor for the years indicated:

	Year ended December 31,	
	2019	**2020**
Number of Relevant Customers who used one Third-Party Payor only	37	32
Number of Relevant Customers who used more than one Third-Party Payor	36	15
Total	**73**	**47**

During the years ended December 31, 2019 and 2020, the Relevant Customers requested their respective Third-Party Payors to settle part of or the entire transaction amounts with us, details of which are set forth in the following table:

	Year ended December 31,					
	2019			**2020**		
	Number of Relevant Customers	**Third-Party Payment amount**	**Direct payment amount**	**Number of Relevant Customers**	**Third-Party Payment amount**	**Direct payment amount**
		RMB'000	**RMB'000**		**RMB'000**	**RMB'000**
Relevant Customers who used Third-Party Payor to settle the entire transaction amounts with us	41	32,650	—	25	25,442	—
Relevant Customers who used Third-Party Payor to settle part of the transaction amounts with us	32	37,197	75,392	22	15,428	38,684
Total *(Note)*	**73**	**69,847**	**75,392**	**47**	**40,870**	**38,684**

Note: Since the corresponding revenue amount of a Third-Party Payment may be recognized in a financial year prior to the financial year in which the Third-Party Payment was made, there would be a difference between (i) the sum of the Third-Party Payment amount and the direct payment amount; and (ii) the revenue contribution from the Relevant Customers during each of 2019 and 2020 of the Track Record Period.

For the years ended December 31, 2019 and 2020, there were 73 and 47 Relevant Customers, respectively, and 144 and 82 Third-Party Payors, respectively. The number of Relevant Customers decreased significantly in 2020, mainly attributable to (i) the overall decrease in number of customers for the first half of 2020 as a result of the COVID-19 pandemic; and (ii) our cessation of the Third-Party Payment Arrangement and subsequent enhanced internal control measures restricting Third-Party Payments. The number of Relevant Customers decreased from 56 in the first half of 2019 to 46 Relevant Customers in the first half of 2020 which was in line with the decrease in total number of customers from 240 customers to 202 customers for the corresponding period as a result of COVID-19 pandemic. In May 2020, we informed our customers that we would cease allowing customers to settle payments through Third-Party Payors and all new purchase orders placed thereafter can only be settled by their own accounts directly. As a result, we only recorded one new Relevant Customer who utilized Third-Party Payor to settle orders placed before May 2020 in the second half of 2020.

Reasons for Utilizing Third-Party Payors

According to Frost & Sullivan, it is not uncommon for aluminum alloy automobile wheel manufacturers based in the PRC to accept third-party payments to facilitate payments in international transactions, especially when such payment arrangement is demanded by the customers. According to Frost & Sullivan, such practice is common in the automobile wheel industry involving international transactions for, amongst others, the following reasons: (i) these transactions are commonly denominated in U.S. dollars, which may pose difficulties to customers located in countries with strict foreign exchange regulations or customers who may not have free and unrestricted access to U.S. dollars; (ii) some customers may arrange their related parties or third parties to settle their payments for their internal operational and financial management practice, outsourced supply chain management and/or for their own convenience; and (iii) some customers may arrange their downstream customers to directly settle the payments with the aluminum alloy automobile wheel manufacturer in order to minimize remittance costs and currency exchange risk. Our Directors confirmed that during the Track Record Period, the reasons for the Relevant Customers to utilize Third-Party Payment Arrangements are generally in line with the aforementioned industry norms. Based on the representation of the Relevant Customers and to the best knowledge of our Directors, the main reasons for the Relevant Customers to utilize Third-Party Payment Arrangements, including:

(i) some Relevant Customers located in countries with strict foreign exchange regulations and restrictions may face difficulties remitting payments abroad, therefore they may arrange Third-Party Payments to be made by Third-Party Payors to settle the payments with us;

(ii) some Relevant Customers may resell our aluminum alloy automobile wheels and/or request us to deliver directly to their respective downstream customers. Under these circumstances, our Relevant Customer may arrange their downstream customer to settle the outstanding amounts with us; and

(iii) some Relevant Customers may arrange their related parties or third parties to settle their outstanding amounts due to us for their internal operational and financial management practice and/or for convenience. The Third-Party Payors who are related parties to the Relevant Customers are entities who share common ownership and/or management with the Relevant Customers, individuals who are owners and/or directors of the Relevant Customers, or entities owned by the spouse of owner. Based on our communication with the Relevant Customers, some of them arranged payments through their related Third-Party Payors due to arrangement of centralized payment as the related Third-Party Payors had USD bank accounts for overseas payment and/or to avoid duplicate transfer of money between the Third-Party Payors and the Relevant Customers.

The following table sets forth the breakdown of (i) the amount of Third-Party Payments; and (ii) the number of Relevant Customers by each of the abovementioned reasons for the years indicated:

Reasons for utilizing Third-Party Payment Arrangement	Year ended December 31,			
	2019		2020	
	Amount of Third-Party Payments	Number of Relevant Customer(Note)	Amount of Third-Party Payments	Number of Relevant Customer(Note)
	RMB'000		RMB'000	
Reason (i)	19,447	23	12,888	10
Reason (ii)	13,871	11	2,912	4
Reason (iii)	36,529	41	25,070	34
Total	**69,847**	75	**40,870**	48

Note: Since some of the Relevant Customers have utilized Third-Party Payment Arrangement for more than one reason in a particular year, the total number of Relevant Customers by reasons does not equal to the total number of Relevant Customers in that particular year.

The following table provides a further breakdown of Third-Party Payments received under reason (iii) by relationship between the Relevant Customers and the Third-Party Payors:

Relationship between Relevant Customer and Third-Party Payor	Year ended December 31, 2019	Year ended December 31, 2020
	RMB'000	RMB'000
Related party(Note)	23,380	17,469
Third party	13,149	7,601
Total	**36,529**	**25,070**

Note: The Third-Party Payors who are related parties to the Relevant Customers are entities who share common ownership and/or management with the Relevant Customers, individuals who are owners and/or directors of the Relevant Customers, or entities owned by the spouse of owner.

Our Directors confirmed that our Group, our Directors, shareholders or senior management and their respective associates do not have any past or present relationships, including business, employment, financing and other types of relationship with each of the Relevant Customers and Third-Party Payors apart from the ordinary business conducted between our Group and the Relevant Customers or Third-Party Payors. During the Track Record Period and up to the Latest Practicable Date, we did not provide any discounts or benefits to any Relevant Customers or Third-Party Payors. When and after we received the Third-Party Payments, we did not encounter any disputes, nor did any Third-Party Payor or Relevant Customer ask us for a refund. In addition, we are not aware of any suspicious transactions related to the Third-Party Payments during the Track Record Period and up to the Latest Practicable Date.

Cessation of settlement through Third-Party Payors

In May 2020, we informed our customers that we would cease allowing our customers to settle payments through Third-Party Payors and all new purchase orders entered thereafter can only be settled by our customers' own accounts directly. We also updated our forms of purchase order to include a provision explicitly prohibiting settlement by Third-Party Payors. To minimize the potential impact on our business and results of operations, we have pursued a proactive role in communicating with the Relevant Customers to ensure a smooth transition to direct payments. Since the beginning of September 2020, we have not received any payments from our customers through Third-Party Payment Arrangements.

Rectification of payment arrangement by the Relevant Customers after the cessation of the Third-Party Payment Arrangement

Set forth below is a summary of the payment arrangements that the Relevant Customers have adopted in order to continue the business relationship with us in light of the cessation of the Third-Party Payment Arrangement:

Reason for utilizing Third-Party Payment Arrangement	Summary of the payment arrangements after the cessation of the Third-Party Payment Arrangement
Reason (i)	Since the cessation of the Third-Party Payment Arrangement, we were able to maintain business relationship with one of such Relevant Customers. Based on our communication with and as confirmed by this customer, it is able to rectify the payment arrangement by (i) arranging a company owned by its owner to place purchase orders and make payment with us; and (ii) making direct payments to us through several payment installments as the relevant foreign remittance restrictions only imposed certain quotas on the remittance.
Reason (ii)	These Relevant Customers have rectified the Third-Party Payment Arrangement either by arranging direct payment to us or arranging its downstream customer to directly place purchase order and settle payment with us.
Reason (iii)	These Relevant Customers have rectified the Third-Party Payment Arrangement by making direct payments to us or arranging a designated entity to place purchase orders and settle payment with us. As advised by these Relevant Customers, they agreed to rectify the payment arrangement because such rectification does not constitute a material change to their business operations and there is no material obstacles or cost implications for such rectification.

Sustainability of business of our Group after the cessation of Third-Party Payment Arrangement

We have carefully monitored and assessed our business with the Relevant Customers and our overall business and financial performance after we stopped accepting Third-Party Payment. Our analysis on the cessation of the Third-Party Payment Arrangement is focused on the Relevant Customers in the year ended December 31, 2020 ("**FY2020 Relevant Customers**") as our Directors are of the view that our business with our customers will not be affected by the cessation of the Third-Party Payment Arrangement if such customers had already ceased their business relationship with us or had already stopped utilizing Third-Party Payment Arrangement before 2020. After cessation of the Third-Party Payment Arrangement, certain Relevant Customers have arranged their designated entities to directly place purchase orders and settle payments with our Group. Accordingly, our analysis as summarized below has also taken into account the revenue contribution of these designated entities:

Major Relevant Customers continued to conduct business with our Group

There are 47 FY2020 Relevant Customers. For the year ended December 31, 2020, 26 of the FY2020 Relevant Customers contributed revenue over RMB500,000, among which 22 of them continued to contribute revenue during the 16 month period from September 2020 to December 2021 (the "**Cessation Period**"). Accordingly, most of the FY2020 Relevant Customers with significant revenue contribution were able to continue their business relationship with us despite our cessation of accepting Third-Party Payment. As a whole, the FY2020 Relevant Customers who we continued to derive revenue from during the Cessation Period accounted for approximately 88.6% of the total revenue derived from the FY2020 Relevant Customers in 2020, demonstrating that we are able to retain most of the major Relevant Customers after the cessation of the Third-Party Payment Arrangement.

Our revenue from the Relevant Customers continued to grow

Among the 47 FY2020 Relevant Customers, we continued to generate revenue from 24 of them during the Cessation Period. Our revenue derived from these FY2020 Relevant Customers during the Cessation Period was approximately RMB162.5 million, representing an increase of 16.5% as compared to the revenue from the FY2020 Relevant Customers during the comparative period between May 2019 and August 2020. In view of such, our Directors are of the view that our business with the Relevant Customers who conducted business with us in 2020 was not adversely affected by the cessation of the Third-Party Payment Arrangement as a whole.

Subsequent settlement from the Relevant Customers was normal

As of December 31, 2020, our balances of trade receivables from the FY2020 Relevant Customers were approximately RMB24.5 million, of which approximately 92.8% was subsequently settled as of May 31, 2022, indicating that our Relevant Customers have been settling payments to us on normal terms after the cessation of Third-Party Payment Arrangement.

Potential loss of Relevant Customers was not substantial

During the Cessation Period, we have not generated revenue from 23 of the FY2020 Relevant Customers. Nevertheless, considering that (i) the revenue generated from such Relevant Customers for 2019 and 2020 were approximately RMB19.0 million and RMB12.3 million, respectively, which only accounted for approximately

5.1% and 3.4% of our total revenue for the respective years; and (ii) our revenue from the Relevant Customers and our overall revenue was not materially and adversely affected by the cessation of the Third-Party Payment Arrangement as illustrated above and below, our Directors are of the view that the potential cessation of business relationship with the non-major Relevant Customers will not materially and adversely affect our business operation and financial performance.

Our overall financial performance remains sustainable

Our Directors are of the view that our financial performance as a whole remains sustainable after the cessation of the Third Party Payment Arrangement. The following summarizes the revenue of our Group for the periods indicated:

(i) our revenue decreased slightly by 3.2% from RMB374.0 million in 2019 to RMB362.2 million in 2020, which was primarily a result of the adverse impact caused by the COVID-19 pandemic. Our revenue increased by 2.1% from RMB224.8 million in the second half of 2019 to RMB229.6 million in the second half of 2020 as we were gradually recovering from the pandemic. Our revenue increased from approximately RMB362.2 million in 2020 to approximately RMB440.4 million in 2021, representing a year-on-year increase of approximately 21.6%. Our revenue decreased from approximately RMB159.5 million for the five months ended May 31, 2021 to approximately RMB149.8 million for the five months ended May 31, 2022, representing a period-to-period decrease of approximately 6.1%, primarily due to the temporary impacts caused by the regional outbreaks of COVID-19 in the PRC in early 2022, in particular, the delivery of our products to overseas markets; and

(ii) our revenue increased by 25.2% from RMB483.8 million during the period between May 2019 and August 2020, being the comparative period to the Cessation Period, to RMB605.6 million during the Cessation Period.

Moreover, our gross profit margin increased from 19.7% in 2019 to 21.4% in 2020, indicating that our Group's profitability was not adversely affected by the cessation of Third-Party Payment Arrangement.

Further, despite the cessation of the Third-Party Payment Arrangement in September 2020, the trade receivable turnover days remained stable at 55.8 days and 59.3 days in 2020 and 2021, respectively. The sudden increase of the trade receivable turnover days to 80.0 days for the five months ended May 31, 2022 was an one-off event primarily due to the increase of sales recognized in May 2022 as sales rebounded after the regional outbreak of COVID-19 in early 2022 and the delay of repayment of certain customers. Nevertheless, as of September 30, 2022, 84.3% of the trade and bills receivables as at May 31, 2022 had been settled.

Furthermore, majority of the customers with trade and bills receivables which aged over 3 months in the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022 are not the Relevant Customers during the Track Record Period. Therefore, our Directors are of the view that the cessation of Third-Party Payment Arrangement has no material adverse effect on the trade and bills receivables of our Group.

Conclusion

Based on the above, our Directors are of the view, which is concurred by the Sole Sponsor, that the cessation of the Third-Party Payment Arrangement does not have any material adverse impact on our business operation, financial results or financial position.

Written confirmations from the Relevant Customers

In order to mitigate our risks associated with the Third-Party Payments we received, we have obtained written confirmations from 80 Relevant Customers confirming that, among other things:

(i) the relevant Third-Party Payments were paid by the Third-Party Payor to us for settling the payment obligations of the Relevant Customers with us;

(ii) the reason(s) for making the Third-Party Payment Arrangement;

(iii) the Relevant Customer shall procure the Third-Party Payor not to request for the refund of any of the payments; and

(iv) in the event that any amount of the payments is required to be returned to the Third-Party Payor, the Relevant Customer shall indemnify our Group of such amount together with all costs incurred.

The total revenue contribution of the Relevant Customers from whom we had obtained written confirmations amounted to approximately RMB149.3 million and RMB61.6 million for the years ended December 31, 2019 and 2020, respectively, representing approximately 99.9% and 100.0% of the total revenue contribution of all Relevant Customers for the same years (without taking into account the revenue generated from the Relevant Customers for the years in which such Relevant Customers did not utilize any Third-Party Payment). We were not able to obtain confirmations from all the Relevant Customers mainly because we had ceased conducting business with one of the Relevant Customers and were unable to contact such Relevant Customer for obtaining the confirmation. Our Directors are of the view that since we have obtained written confirmations from a significant portion of the Relevant Customers in terms of revenue contribution, the risks of our Group being required to return the Third-Party Payments is remote.

Independence of the Relevant Customers and the Third-Party Payors

In ascertaining the independence of the Relevant Customers and the Third-Party Payors, the Sole Sponsor had performed, among others, the following independent due diligence procedures:

1. the Sole Sponsor had obtained written confirmations from 80 Relevant Customers confirming, among others, that (i) the directors, senior management and major shareholders of the Relevant Customers are not related to the directors, senior management or major shareholders of our Group and do not have any business dealing with the directors, senior management and major shareholders of our Group other than those conducted with our Group; (ii) the directors, senior management and major shareholders of the Relevant Customers have never been an employee or a shareholder of our Group; and (iii) none of the directors, senior management or major shareholders of our Group have any interest directly or indirectly, in the Relevant Customers;

2. the Sole Sponsor had obtained the shareholders and/or significant controllers' particulars of 77 Relevant Customers by (i) engaging an independent search agent to conduct background search; (ii) downloading the relevant shareholding particulars of the Relevant Customers from the relevant company registry; (iii) obtaining the relevant corporate documents showing the particulars from the Relevant Customers; or (iv)

obtaining confirmation from the Relevant Customer. The Sole Sponsor reviewed the ownership particulars of the Relevant Customers and compared them with the connected persons list of our Group and did not identify any information which would suggest that the beneficial owners and/or significant controllers of the Relevant Customers are related to the directors, senior management or major shareholders of our Group;

3. the Sole Sponsor had conducted interviews with 39 Relevant Customers who confirmed, among others, that none of their directors, senior management or major shareholders are related to our Company's directors, senior management, major shareholders and their close associates. The amount of Third-Party Payments from the Relevant Customers interviewed represented approximately 84.8% and 90.4% of our Group's total Third-Party Payment amount for each of the years ended December 31, 2019 and 2020, respectively;

4. the Sole Sponsor had used its best effort to obtain the shareholders and/or significant controllers' particulars of the Third-Party Payors by (i) engaging an independent search agent to conduct background search; (ii) downloading the relevant shareholding particulars of the Third-Party Payors from the relevant company registry; (iii) obtaining the relevant corporate documents showing the particulars of the Third-Party Payors from the Relevant Customers; or (iv) obtaining confirmation from the Relevant Customer. The Sole Sponsor compared the ultimate beneficial owner and/or significant controller of the Third-Party Payors with the connected persons list of our Group and did not identify any information which would suggest that the beneficial owners and/or significant controllers of the Third-Party Payors are related to the directors, senior management or major shareholders of our Group;

5. the Sole Sponsor had obtained written confirmations from most of the Third-Party Payors who are related parties of the Relevant Customers confirming, among others, that (i) the Third-Party Payors' directors, senior management or major shareholders are not related to our Group's directors, senior management or major shareholders in any way; (ii) the Third-Party Payors' directors, senior management or major shareholders do not have business dealings with our Group's directors, senior management or major shareholders outside of the business conducted with our Group; (iii) the Third-Party Payors' directors, senior management or major shareholders have never been in the employment of our Group or had been a shareholder of our Company in the past; and (iv) none of the directors, senior management or major shareholders of our Group have any interest, directly or indirectly, in the Third-Party Payors; and

6. the Sole Sponsor had conducted interview with the management of our Group which confirmed, amongst others, that to their best knowledge, the subsidiaries, the directors, controlling shareholders, and senior management of our Group and their respective close associates are independent from each of the Relevant Customers and the Third-Party Payors and do not have any other business dealings with any Relevant Customers and Third-Party Payors apart from the ordinary business conducted with our Group.

Based on the above independent due diligence procedures performed, nothing has come to the Sole Sponsor's attention that any of the Relevant Customers or Third-Party Payors have any other past or present relationship with our Company or our subsidiaries, directors, shareholders, or senior management, or any of their respective associates apart from the ordinary business conducted with our Group.

Potential legal risks relating to Third-Party Payments

In order to have a comprehensive assessment of the compliance and relevant risks associated with the historical Third-Party Payments in the relevant jurisdictions, we engaged legal advisors in the PRC, Hong Kong, Lithuania, the United States, the UAE, the United Kingdom, Taiwan, Saudi Arabia and Nigeria to advise the relevant legal aspects in relation to the Third-Party Payment Arrangements.

Below are the summaries of advices by the legal advisors of the respective jurisdictions in relation to the Third-Party Payment Arrangements:

PRC

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

The relevant PRC laws and regulations on foreign exchange and anti-money laundering are primarily outlined in the *Guidelines for Foreign Exchange Control on Trade in Goods (《貨物貿易外匯管理指引》)* and *The Criminal Laws of the PRC (《中華人民共和國刑法》)*. As confirmed by our Directors, (a) the Third-Party Payments were carried out based on genuine and legal sales transactions, the obligation under which has been fulfilled and there was no dispute between the parties in relation to the Third -Party Payment Arrangements; (b) we completed the formalities for foreign exchange receipts and payments for trade in accordance with the principle of "the exporter takes foreign exchange receipt (誰出口誰收匯)"; (c) there were no significant mismatches between the payment amount and the corresponding sales transactions in the past; and (d) during the Track Record Period and up to the Latest Practicable Date, we do not have any record of foreign exchange non-compliance and have not encountered any investigations from SAFE. Furthermore, according to the interview conducted by our PRC Legal Advisors with the Deputy Director of Foreign Exchange Management Department (the "**Deputy Director of Foreign Exchange Management**") of the Yongkang Branch of SAFE on August 26, 2020, we had not violated any laws and/or regulations relating to foreign exchange in the PRC and had not been penalized on this matter. During the interview, the Deputy Director of Foreign Exchange Management confirmed that, among others, (i) the acceptance of Third-Party Payments for entities involved in international transactions is common in the PRC; (ii) the use of Third-Party Payment Arrangement is not in breach of the relevant PRC foreign exchange laws and regulations; (iii) the SAFE monitored the fund flow and product outflow of enterprises on their daily operation and did not notice our Group's operating activity indicated an abnormal level; and (iv) there are no records of administrative penalties issued against our Group by the Yongkang branch or other branches of SAFE in relation to any foreign exchange regulations. We had obtained an confirmation from the Yongkang Branch of SAFE confirming, among others, that (i) the Deputy Director of Foreign Exchange Management was an employee of the Yongkang Branch of SAFE at the time of the interview; (ii) the Deputy Director of Foreign Exchange Management had informed and obtained consent from the Yongkang Branch of SAFE to participate in the interview prior to the interview; and (iii) the Yongkang Branch of SAFE acknowledged and approved the information and confirmation provided by the Deputy Director of Foreign Exchange Management during the interview. Given that (i) the identity and position of the Deputy Director of Foreign Exchange Management as confirmed by the Yongkang Branch of SAFE are consistent with the statements and information provided during the interview; (ii) the Deputy Director of Foreign Exchange Management was authorized to participate and represent Yongkang Branch of SAFE in the interview; and (iii) the Yongkang Branch of SAFE has acknowledged, approved and agreed to the representations and confirmations made by the Deputy Director of Foreign Exchange Management, our PRC

Legal Advisors are of the view that the Deputy Director of Foreign Exchange Management is competent and has the appropriate authority to represent the Yongkang Branch of SAFE to provide the relevant confirmations. Based on the above, our PRC Legal Advisors are of the view that the Third-Party Payment Arrangements do not violate any applicable laws and/or regulations in the PRC, in particular, laws relating to foreign exchange regulations in the PRC.

Furthermore, as advised by our PRC Legal Advisors, the Third-Party Payment Arrangements do not violate any applicable law and regulations in relation to money laundering. In particular, according to The Criminal Laws of the PRC, the crime of money laundering is only committed if our Group (a) clearly knows that the Third-Party Payments represent proceeds and or gains obtained from drug-related crimes, crimes committed by criminal organizations, crimes of terrorism, smuggling, bribery and corruption, crimes undermining the financial order of society and financial fraud; and (b) commits certain acts referred under The Criminal Law of the PRC for the purpose of covering up or concealing the source and nature of the above proceeds or gains. Our Directors confirmed that we have no reasons to believe that the Third-Party Payments represented proceeds or gains from the above crimes and confirmed that we have not committed any acts for the purpose of covering up or concealing any source and nature of any proceeds or gains from any crimes. Our Directors formed such view after considering the following factors:

1. pursuant to the contractual agreements entered between the Relevant Customers and our Group, we manufactured the aluminum alloy automobile wheels and delivered the products as required by the Relevant Customers pursuant to contractual agreements entered with the Relevant Customers. As such, we can reasonably expect an incoming payment from the Relevant Customer or its designated Third-Party Payor and has sufficient grounds to believe that the payments received by us represented the legitimate consideration for the goods sold under the genuine contractual agreements. The payments are further supported by business transactions with relevant documentation proof including purchase orders, export customs declaration, bill of lading, remittance receipt of banks and invoices;

2. all of such payments were credited directly into our accounts maintained at licensed banks in the PRC which, as advised by our PRC Legal Advisors, are required by the relevant authority to put in place anti-money laundering measures and procedures to identify and investigate the customer's identity and legality of the source of fund. The banks could issue notices, warnings or put relevant entity under anti-money laundering investigations for any suspicious transactions identified but we have never received any notices, warnings or investigations from any of our correspondent bank in relation to payments settled by the Third-Party Payors. Furthermore, our PRC Legal Advisors conducted interviews with (i) the Deputy Director of Corporate Finance Department (International Settlement) of the Yongkang branch of Bank of China; and (ii) the Account Manager of International Business Department of the Yongkang branch of Industrial and Commercial Bank of China, our Group's two principal banks (the "**Principal Banks**") on August 27, 2020, who confirmed, among others, that (i) the Principal Banks were aware that our Group received payments from Third-Party Payors during the Track Record Period and such practice is common for entities participating in international trade; (ii) the Principal Banks did not receive any notice or warning from SAFE indicating that our Group's fund flow and product outflow demonstrated abnormal level of activities; (iii) the Principal Banks did not identify any suspicious transactions involving our Group in the past; (iv) the Principal Banks did not identify our Group to be involved in any money-laundering or terrorist financing activities; and (v) to their best knowledge, the Principal Banks were not aware of any breaches committed by our Group in relation to any financial

regulations or foreign exchange regulations. We had obtained confirmations from the Principal Banks confirming, among others, that (i) the interviewees were employees of the Principal Banks at the time of the interview; (ii) the interviewees had informed and obtained consent from the Principal Banks to participate in the interview prior to the interview; and (iii) the Principal Banks acknowledged and approved the information and confirmations provided by the interviewees during the interview. Given that (i) the identities and positions of the relevant interviewees as confirmed by the Principal Banks are consistent with the statements and information provided during the interviews; (ii) the relevant interviewees were authorized to participate and represent their respective authorities in the interview; and (iii) the Principal Banks have acknowledged, approved and agreed to the representations and confirmations made by the relevant interviewees, our PRC Legal Advisors are of the view that the officers interviewed are competent and have the appropriate authority to represent the Principal Banks to provide the relevant confirmations;

3. we have not received any notices, warnings or investigations from relevant governmental authorities in relation to any payments settled by the Third-Party Payors and do not have any records of administrative penalties imposed by the relevant governmental authorities including, but not limited to SAFE during the Track Record Period in relation to any suspicious transaction or violation of foreign exchange laws and regulations;

4. we have a long business relationship with most of our major Relevant Customers and have not had any major disputes with any of the Relevant Customers in relation to the payment arrangements in the past; and

5. according to Frost & Sullivan, it is not uncommon for aluminum alloy automobile wheel manufacturers based in the PRC to accept third-party payments to facilitate payments in international transactions and the reasoning behind the use of third-party payment arrangements by the Relevant Customers was generally in line with industry norms.

Taking into account the aforementioned factors, our PRC Legal Advisors are of the view that the Third-Party Payment Arrangements do not violate any applicable laws and regulations relating to foreign exchange and money laundering in the PRC.

(ii) Potential claim for return of payment by the Third-Party Payor or potential liquidators

As advised by our PRC Legal Advisors, given (a) the confirmation from our Directors that the Third-Party Payments were based on genuine and legal sales transactions, the obligation under which has been fulfilled and there was no dispute between the parties in relation to the Third-Party Payment Arrangements; and (b) the written confirmations from the Relevant Customers obtained by our Company, the likelihood that the Third-Party Payors or their liquidators in the Third-Party Payment Arrangement successfully claiming for the return of the payment is remote.

Hong Kong

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

As advised by our Hong Kong Legal Counsel, there are no general laws restricting foreign exchange control in Hong Kong apart from a general duty to comply with the general body of laws applicable in Hong

Kong. Furthermore, the Third-Party Payment Arrangement does not violate any applicable civil or criminal laws in Hong Kong unless (a) any of the parties under the Third-Party Payment Arrangement are liable for money laundering under the legislations concerned with dealing of properties, including the Organized and Serious Crime Ordinance, Cap. 455 ("**OSCO**"), the Drug Trafficking (Recovery of Proceeds) Ordinance, Cap. 405 ("**DTRPO**") and the United Nations (Anti-Terrorism Measures) Ordinance, Cap. 575 ("**UNATMO**"); or (b) the Relevant Third-Party Payors who are required to be licensed under the relevant legislations in Hong Kong fail to comply with the licensing requirements.

We are advised by our Hong Kong Legal Counsel that an entity may be subject to money laundering risk if it deals with properties which it had knowledge of or had reasonable grounds to believe that such property represented proceeds of crime under s.25 of the OSCO or proceeds of drug trafficking under s.25 of the DTRPO or terrorist property under s.8A of the UNATMO. However, as advised by our Hong Kong Legal Counsel, the aforementioned offences under OSCO and DTRPO do not have extra-territorial effect and do not apply to the dealing of properties outside of Hong Kong (including the PRC). With regards to the UNATMO, we are advised by our Hong Kong Legal Counsel that while the relevant offence under UNATMO has limited extra-territorial effect, such provision only applies to Hong Kong permanent residents or any company incorporated or constituted under the law of Hong Kong who is outside Hong Kong. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, all Third-Party Payments were deposited into our accounts held with licensed financial institutions in the PRC and all sales transactions were conducted with Buyang Wheel, our principal operating subsidiary incorporated in the PRC. In view of the above, our Hong Kong Legal Counsel is of the view that no liabilities on the part of our Group can arise under the OSCO, DTRPO and UNATMO as the relevant provisions under these legislations do not have extra-territorial effect as aforementioned and cannot regulate Buyang Wheel's operations in the PRC.

With regards to the licensing requirements of the Relevant Third-Party Payors, we are advised by our Hong Kong Legal Counsel that any liability arising under the licensing requirements with respect the Third-Party Payors who fail to comply with any of the applicable legislations is restricted to such Third-Party Payors and does not extend to our Group. In any event, the Third-Party Payors' failure to comply with the applicable laws and or regulations will not render the payments invalid.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

Given that there is no contractual relationship between the Third-Party Payors and our Group, the Third-Party Payors may have a claim for our Group to return the payments made under Third-Party Payment Arrangement primarily under the ground of restitution. However, as advised by our Hong Kong Legal Counsel, the risk of there being such claim is remote and it is likely that our Group would have a good defense against such claims based on, among other factors, the following (a) we have not received any notification from the Third-Party Payors or banks that any of the payments made to our Group were made by mistake or have demanded repayment; (b) to the best knowledge of our Directors, the transfer amounts were all consistent with the business transactions between our Group and the Relevant Customers; (c) to the best of our Director's knowledge, these Third-Party Payors were aware that these payments were used to discharge debts owed by the Relevant Customers to our Group.

Our Hong Kong Legal Counsel further advised that under insolvency law, the Third-Party Payors and/or their liquidators and/or their trustees-in-bankruptcy also have no right to demand the return of payments from us. Under insolvency law, the Third-Party Payor liquidators and/or trustees-in-bankruptcy may apply to avoid certain transactions retrospectively on the basis that such transactions are either undervalue transactions or amount to giving unfair preference to some creditors. However, as advised by our Hong Kong Legal Counsel, none of the above is applicable to the Third-Party Payments given that (a) we are not a creditor of the Third-Party Payor under the Third-Party Payment Arrangement, therefore, no unfair preference can arise; and (b) there is no contract and exchange of quid pro quo between the Third-Party Payors and our Group, as such, the transaction cannot be considered undervalued. Further, the payment cannot be considered undervalued in any event because Third-Party Payments discharged the debt owed by the Relevant Customers to our Group. Accordingly, our Hong Kong Legal Counsel is of the view that there is no legal right for the Third-Party Payors or its liquidators or its trustees-in-bankruptcy to request the return of payments.

Lithuania

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

The Third-Party Payment Arrangements per se do not violate any applicable laws or regulations in Lithuania. The relevant anti-money laundering laws in itself does not prohibit such Third-Party Payment Arrangements unless such arrangements qualify as money laundering or financing of terrorism. As advised by our Lithuania Legal Advisors, the risk of our Group being held liable or subject to penalties for the above is remote because (a) the Third-Party Payment Arrangements were effected to facilitate actual goods sold which are supported by legitimate transactions with relevant documentation proof, including purchase orders, invoices, bill of lading, payment confirmation notices which are kept in record by our Group; (b) our Group has no actual or potential, direct or indirect knowledge and involvement in any acts which was created or carried out with the purpose or effect to facilitate, induce or commit activities which may be qualified as money laundering or financing of terrorism and have no reasons to believe that the Third-Party Payments were created or carried out with the purpose of committing such acts; and (c) all Third-Party Payments were deposited into our accounts held with licensed financial institutions in the PRC that are subject to requirements to put in place anti-money laundering measures and procedures to ensure proper safeguards exits.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

As advised by our Lithuania Legal Advisors, the Third-Party Payors will not be entitled to request our Group to return the payments made under the Third-Party Payment Arrangements unless (a) there exists legal grounds on which the Relevant Customer would itself be entitled to claim repayment under the applicable laws or the underlying transaction; and (b) the underlying transaction or Third-Party Payment Arrangements are invalidated. However, since (a) our Group had a validly existing legal right to receive the payment originating from the underlying transaction with the Relevant Customer; (b) the Relevant Customer subsequently informed us of such payment made by the Third-Party Payor; (c) the underlying transactions were duly concluded and validly binding; (d) we did not act in bad faith; and (e) we were not directly or indirectly engaged in any violation of anti-money laundering requirements and was not acting under the knowledge of any anti-money laundering violations in relation to the underlying transaction or Third-Party Payment Arrangement, our Lithuania Legal Advisors are of the view that the Third-Party Payor will not be entitled to request for the return of the payments. Furthermore, our Lithuania Legal Advisors advised that the risks of our Group being obliged to return payments under the Third-Party Payment Arrangements in case of request or claim submitted by insolvency administrator or liquidator of the relevant Third-Party Payor are remote.

United States

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

In general, an entity is free to receive, pay or transfer U.S. dollars and foreign exchange in or out of the United States for its underlying legitimate transactions. It appears that the Third-Party Payment Arrangement does not violate any U.S. laws or regulations, if (a) the relevant financial institute handling the transactions complies with the anti-money laundering requirements and obligations under the Bank Secrecy Act of 1970 ("**BSA**"); (b) the Third-Party Payments do not involve money laundering activities; and (c) none of the relevant parties is on the SDN List. Our International Sanctions Legal Advisors reviewed our list of Third-Party Payors during the Track Record Period against the lists of Sanctioned Persons administered by the Relevant Jurisdictions, and none of Third-Party Payors during the Track Record Period is a Sanctioned Person.

In relation to the financial institute's anti-money laundering requirements and obligations, we are advised by our U.S. Legal Advisors that pursuant to the BSA, a financial institute is required to file a currency transaction report if it detects certain known or suspected violations of federal law or suspicious transactions relating to a money laundering activity, unless the transaction falls within the exemptions provided under the BSA. As advised by our U.S. Legal Advisors, our Group has no legal obligation and will not be liable nor subject to any penalties if the financial institute which handled the transaction did not comply with such requirements under the BSA. Furthermore, the financial institute's failure to comply with the relevant requirements will not render the payment invalid.

As further advised by our U.S. Legal Advisors, while the financial institute's failure to fulfil the anti-money laundering requirements does not attract any liability on our Group, we may be liable if the transaction is subsequently held to constitute a money laundering activity under the Money Laundering Control Act ("**MLCA**") 18 U.S.C. §1956 (a) and 1957. As advised by our U.S. Legal Advisors, the risk that our Group will be subject to the MLCA is very remote because (a) the Third-Party Payment Arrangements and underlying payment were used to facilitate actual goods sold which are supported by legitimate business transactions with relevant documentation proof, including purchase orders, invoices, bill of lading, payment confirmation notices which are kept in record by our Group; (b) our Directors confirm that we have no knowledge of any Third-Party Payment Arrangements which may qualify as money laundering and have no reasons to believe that the Third-Party Payments were created or carried out with the purpose or effect to facilitate, induce or commit activities which may be qualified as money laundering; (c) all Third-Party Payments were deposited into our accounts held with licensed financial institutions in the PRC that are subject to requirements to put in place anti-money laundering measures and procedures to ensure proper safeguards exist; and (d) our Group has not encountered any difficulties, disputes or investigations in the past concerning payments received through Third-Party Payment Arrangements from the United States.

Our U.S. Legal Advisors have further conducted a search on all Third-Party Payors and Relevant Customers involved in Third-Party Payment Arrangements in the United States and confirmed that none of the entities or persons involved are listed on the SDN List.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

It is highly unlikely for a Third-Party Payor or its liquidator or administrator (if it is in a liquidation or bankruptcy process) to successfully claim for the return of the payment made under the Third-Party Payment

Arrangements based on unjust enrichment because (a) the Third-Party Payment Arrangements and underlying payment were used to facilitate actual goods sold which are supported by legitimate business transactions with relevant documentation proof, including purchase orders, invoices, bill of lading, payment confirmation notices which are kept in record by our Group; (b) to the best of our Director's knowledge, these Third-Party Payors were aware that the Third-Party Payments were used to discharge debts owed by the Relevant Customers to our Group; and (c) the Third-Party Payment Arrangements are not required to be in written form.

United Arab Emirates

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

The Third-Party Payment Arrangement itself is not contrary to any commercial registration or licensing legislation or any other laws of the UAE, as long as (a) the Relevant Customers and/or the Third-Party Payors who operates in the UAE comply with the relevant commercial licencing and value added tax registration requirement; and (b) the relevant Third-Party Payors who derive income from processing payment are properly licensed in accordance with the applicable laws and regulations in the UAE.

As advised by our UAE Legal Advisors, the Relevant Customer and Third-Party Payor may be liable and subject to penalties if they failed to comply with the abovementioned commercial licensing, value added tax registration and payment licensing requirements. Furthermore, as further advised by our UAE Legal Advisors, unless our Group had actual knowledge and/or was complicit to such breach, the Relevant Customer or Third-Party Payor's failure to comply with the relevant requirements will not render the payments invalid, and our Group, as a recipient of payment would not be subject to any penalty or restrictive measures even if the Relevant Customer or Third-Party Payor were found to be in breach of the laws and regulations of the UAE.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

The Third-Party Payors or their liquidators generally do not have the right to request our Group to return the payment given that our Group has delivered actual products to the Relevant Customers and received a corresponding payment for those products from the Third-Party Payors who made such payments under the instruction and on behalf of the Relevant Customers.

United Kingdom

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

The Third-Party Arrangements do not in and of themselves violate any applicable laws and/or regulations in the U.K. subject to the compliance by any Third-Party Payors who provide money remittance services by way of business in the U.K. with certain licensing and registration requirements. As advised by our English Legal Advisors, the relevant licensing and registration requirements are only applicable to entities who carry out money remittance services as a regular occupation or business activity in the U.K. and are not required if the payment transactions in question only arise in connection with a main activity that is not itself subject to a licensing or registration requirement. Additionally, as advised by our English Legal Advisors, the failure of the Third-Party Payor to obtain the correct licensing and registration when necessary will not render our Group liable nor subject our Group to any penalties under the applicable laws in the U.K. Furthermore, such failure by the Third-Party Payors will not render the payments invalid.

The main source of relevant U.K. anti-money laundering legislation is the Money Laundering, Terrorist Financing and Transfer of Funds (Information of the Payer) Regulations 2017, as amended by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (the "**MLRs**"). Amongst other categories, the MLRs require certain groups of persons and entities who primarily engage in money remittance, currency exchange, lending and financing to establish policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing. However, as advised by our English Legal Advisors, our Group is not subject to the MLRs given that we are not engaged in the relevant business activity the MLRs regulate in the U.K. We have also considered potential liability under the Proceeds of Crime Act 2002 (the "**POCA**") for handling proceeds of crime should any part of the payment proceeds constitute criminal property as defined under the POCA. Our Directors confirmed that (i) the Third-Party Payment Arrangements were effected to facilitate actual goods sold which are supported by legitimate transactions with relevant documentation proof, including purchase orders, invoices, bill of lading, payment confirmation notices which are kept in record by our Group; (ii) we have no actual or potential, direct or indirect knowledge and involvement in any acts which was created or carried out with the purpose or effect to facilitate, induce or commit activities which may be qualified as money laundering; (iii) all payments under the Third-Party Payment Arrangement were deposited into our Group's account held with licensed financial institutions in the People's Republic of China that are subject to requirements to put in place anti-money laundering measures and procedures to ensure proper safeguards exists. Based on the above confirmations from our Directors, our English Legal Advisors are of the view that we would not have committed any money laundering offence under the POCA.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

As advised by our English Legal Advisors, in the absence of any contractual nexus between our Group and Third-Party Payor, it is unlikely that a Third-Party Payor in the U.K. would have a right to request for the return of payment from our Group. As advised by our English Legal Advisors, a liquidator appointed to a Third-Party Payor in the U.K. may apply to a court to unwind certain types of transactions in the following scenarios: (i) where a transaction has taken place at an undervalue either in the two year period (where the transaction is with a connected person) or in the six month period (where the transaction is with anyone other than a connected person) before the Third-Party Payor has entered into insolvency; (ii) where a transaction has take place and offers preferential treatment to a creditor; or (iii) where a transaction has taken place at an undervalue with the intention to defraud other creditors. However, as advised by our English Legal Advisors, where a third party benefits from points (i) to (iii) above but acquired the benefit in good faith, for value and (in the scenario described at point (iii)) without notice of the relevant circumstances, the third party cannot be required to repay any sum or have their interest prejudiced. Since our Group has acted in good faith and received the payment for value without notice of the relevant circumstances, the risk of a liquidator of a Third-Party Payor obtaining a court order for the refund of payment is low.

Taiwan

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

In general, the Third-Party Payment Arrangement is not prohibited under Taiwan's foreign exchange regulations subject to the compliance of certain declarations to be made by the Third-Party Payor to the Central Bank of the Republic of China (Taiwan) (the "**CBC**"). As advised by our Taiwan Legal Advisors, a person within the territory of Taiwan who possesses or needs foreign exchange with the value exceeding a certain amount and engages in its receipts and disbursements or transactions shall make a declaration pursuant to the applicable foreign exchange regulations. Such declaration is made to the CBC through a banking enterprise. Failure by the Third-Party Payor to make the relevant declaration will not render our Group liable nor subject our Group to any penalties under the applicable laws in Taiwan. Furthermore, such failure by the Third-Party Payor will not render the payment invalid from the perspective of Taiwan's civil law.

As advised by our Taiwan Legal Advisors, under the Money Laundering Control Act (the "**MLCA**") we may be liable for violation of money laundering if we (i) "knowingly" disguises or conceals the origin of the proceeds of specified unlawful activity, or transfers or converts the proceeds of specified unlawful activity to help others avoid criminal prosecution; (ii) disguises or conceals the true nature, source, the movement, the location, the ownership, and disposition or other rights of the proceeds of specified unlawful activity; or (iii) accepts, obtains, possess or uses the proceeds of specified unlawful activity committed by others. Our Directors confirmed that (i) the Third-Party Payment Arrangements were effected to facilitate actual goods sold which are supported by legitimate transactions with relevant documentation proof, including purchase orders, invoices, bill of lading, payment confirmation notices which are kept in record by our Group; (ii) we have no actual or potential, direct or indirect knowledge and involvement in any acts which was created or carried out with the purpose or effect to facilitate, induce or commit activities which may be qualified as money laundering; and (iii) all payments under the Third-Party Payment Arrangement were deposited into our Group's account held with licensed financial institutions in the People's Republic of China that are subject to requirements to put in place anti-money laundering measures and procedures to ensure proper safeguards exists. Based on the above confirmations from our Directors, our Taiwan Legal Advisors are of the view that the legal risk that our Group will be liable for violating the MLCA would be low.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

In general, since the underlying sales contract between our Group and the Relevant Customer is validly existing, our Taiwan Legal Advisors are of the view that the Third-Party Payor will not be able to request us for the return of payment as the legal ground for our Group to receive such payment is based on the underlying sales contract between our Group and the Relevant Customer rather than any legal relationship with the Third-Party Payor.

As advised by our Taiwan Legal Advisors, the payment made by the Third-Party Payors may be subject to refund request if it is prejudicial to the creditors of the Third-Party Payor. Under the relevant laws of Taiwan, the creditors of the Third-Party Payor may institute proceedings to invalidate the payment upon proof in court that the payment by the Third-Party Payor, if without remuneration, was detrimental to their rights of claim against the Third-Party Payor established prior to the execution of the payment, and if with remuneration, upon further proof that our Group was aware that the Third-Party Payor's payment was detrimental to such creditor's rights of claim established prior to the payment. Furthermore, if the Third-Party Payor goes bankrupt, the bankruptcy administrator may request the court to revoke any gratuitous or non-gratuitous acts committed by the debtor prior to the adjudication of bankruptcy if the gratuitous acts are prejudicial to the creditor's rights, or the non-gratuitous acts are prejudicial to the creditors' rights if both the debtor and us knew of the prejudice at the time of the transaction. Our Directors confirmed that our Group is a *bona fide* seller of goods in the transaction and we are unaware of any transactions involving Third-Party Payments from Taiwan which may be detrimental to any Third-Party Payor's creditor. Based on the above confirmations from our Directors, our

Taiwan Legal Advisors are of the view that the legal risk of our Group being requested to refund the relevant payment is low.

Saudi Arabia

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

In general, the relevant laws and regulations in Saudi Arabia do not prohibit the use of the Third-Party Payment Arrangements and there are no existing laws in Saudi Arabia which restricts remittance transactions out of the country. No license or permit is required to be obtained by the parties under the Third-Party Payment Arrangement unless the Third-Party Payor is considered a money remittance service provider under the relevant laws and regulations in Saudi Arabia. A Third-Party Payor which is engaged in the provision of payment services is required under Saudi Arabian law to acquire relevant licenses to carry on such business. However, as advised by our Saudi Arabia Legal Advisors, it is highly unlikely we will be liable or subject to any penalties even if the Third-Party Payor fails to comply with the licensing requirements unless we were aware of such non-compliance. Our Directors confirmed that, save for passively receiving the payment, we do not involve in any arrangements between the Relevant Customer and their respective Third-Party Payors and are unaware of any licensing status of the Third-Party Payors. Furthermore, the Third-Party Payors' failure to comply with the licensing requirements will not render the payments received by us invalid.

In general, under the relevant anti-money laundering laws and regulations in Saudi Arabia, the Third-Party Payment Arrangement is not prohibited unless the payment arrangement is created or carried out with the purpose to facilitate, induce or commit activities which may be qualified as money laundering or financing of terrorism. As advised by our Saudi Arabia Legal Advisors, anyone who knowingly attempts to, participates in or commits certain acts including, but not limited to, acquiring or using funds with the knowledge that they are proceeds of crime or from an illegal source may be considered to have committed a money laundering offence. Our Directors confirmed that (i) the Third-Party Payment Arrangement is made with respect to genuine underlying supply contracts and supported by actual transaction with relevant documentation proof, including purchase orders, invoices, bill of lading, customs declaration, payment confirmation notices and bank-in advices; (ii) we have not received any notices, warnings or investigations from financial institutions in Saudi Arabia with respect to any payments made from Saudi Arabia by the Third-Party Payors in the past; (iii) we have no reason or basis to suspect that the payments made by the Third-Party Payors from Saudi Arabia represented proceeds of crime; (iv) to the best knowledge of our Directors, the transfer amounts were all consistent with the business transactions between the Relevant Customers and us. Based on the factors above, our Saudi Arabia Legal Advisors advised that the Third-Party Payment Arrangement will not be viewed as money laundering and the risk of our Group being liable of money laundering under Saudi Arabian law is remote.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

As advised by our Saudi Arabia Legal Advisors, the Third-Party Payor is not entitled to request us to return the payments made under the Third-Party Payment Arrangement after such payments were made in relation to the duly concluded and executed contract between our Group and the Relevant Customer. Furthermore, as advised by our Saudi Arabia Legal Advisors, in the event of insolvency or winding up of the Third-Party Payor, we will not be required to return payments already paid to us and correctly executed before the commencement of the bankruptcy proceedings even if requested by the liquidator, unless there was fraud involved in the making of such payments in anticipation of the bankruptcy proceedings. As such, our Saudi Arabia Legal Advisors are of the view that the risk of our Group being obliged to return payments in case of request or claim submitted by the insolvency administrator or liquidator of the Third-Party Payor is remote.

Nigeria

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations and potential penalties

In general, the relevant laws and regulations in Nigeria do not prohibit the use of Third-Party Payment Arrangements for importation of goods into Nigeria. As advised by our Nigeria Legal Advisors, remittance for payments in respect of imported goods shall be processed through licensed banks and any transaction shall be an eligible transaction provided that it is adequately supported by appropriate documentation. Our Directors confirmed that the Third-Party Payment Arrangement is made with respect to genuine underlying supply contracts and supported by actual transaction with relevant documentation proof, including purchase orders, invoices, bill of lading, customs declaration, payment confirmation notices and bank-in advices. Furthermore, we have not received any notices or warnings from any relevant Nigerian authorities which would suggest that the payments received by us were processed through unlicensed financial institutions. In any event, as advised by our Nigeria Legal Advisors, we will not be liable nor be subject to any penalties even if the Third-Party Payors fail to comply with the licensing requirements in Nigeria. Furthermore, the Third-Party Payors' failure to comply with the licensing requirements will not render the payments received by us invalid.

The Money Laundering (Prohibition) Act in Nigeria provides for acts which would constitute an offence of money laundering. As advised by our Nigeria Legal Advisors, such acts include, amongst others, concealment or disguise of the origin of any funds or property where such entity knowingly or reasonably ought to have known that the fund forms part of the proceeds of money laundering and acquiring, retainment or possession or control of any funds or property where such entity knowingly or reasonably ought to have known that the funds form part of the proceeds of money laundering. Our Directors confirmed that (i) the Third-Party Payment Arrangement is made with respect to genuine underlying supply contracts and supported by actual transaction with relevant documentation proof, including purchase orders, invoices, bill of lading, customs declaration, payment confirmation notices and bank-in advices; (ii) we have not received any notices, warnings or investigations from financial institutions in Nigeria with respect to any payments made from Nigeria by the Third-Party Payors in the past; (iii) we have no reason or basis to suspect that the payments made by the Third-Party Payors from Nigeria represented proceeds of money laundering; (iv) to the best knowledge of our Directors, the transfer amounts were all consistent with the business transactions between the Relevant Customers and us. Based on the factors above, our Nigeria Legal Advisors advised that it is unlikely that the Third-Party Payment Arrangement alone would qualify as money laundering and the risk of our Group being liable of money laundering under Nigerian law is remote.

(ii) Potential claim for return of payment by the Third-Party Payors or potential liquidators

As advised by our Nigeria Legal Advisors, a Third-Party Payor based in Nigeria who makes a payment to us on behalf of the Relevant Customer will not have a right to request for return of payment from us as a result of the doctrine of privity of contract. Any such claim by the Third-Party Payors ought to be resolved between the Third-Party Payor and the Relevant Customer on whose behalf the payment was made. As advised by our Nigeria Legal Advisors, a liquidator of the Third-Party Payor has a right to preserve and protect the asset of a Third-Party Payor under liquidation, which includes the right to recover money paid to an entity for transactions at an undervalue by applying to the court for an order. To the best knowledge of our Directors, the transfer amounts were all consistent with the business transactions between the Relevant Customers and us and during the Track Record Period and up until the Latest Practicable Date, we are not aware nor have we received any notices or orders from relevant Nigerian authorities for any return of any payments made from Nigeria.

Directors' view

Based on the advices of our legal advisors on laws of the PRC, Hong Kong, Lithuania, the United States, UAE, the United Kingdom, Taiwan, Saudi Arabia and Nigeria, we consider these legal risks to be remote as elaborated above. Our Directors are of the view that the Third-Party Payments settled during the Track Record Period did not create a significant risk to our business, results of operations or financial position. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group (i) has not been subject to any investigations or penalties in relation to the Third-Party Payment Arrangements; and (ii) has not received any claims from any Third-Party Payors or its liquidators.

Internal Control Measures

We have implemented enhanced internal control measures to ensure that there will be no Third-Party Payments in the future. The enhanced internal control measures are summarized below:

i. notice was sent to our customers in May 2020, informing them that Third-Party Payment will no longer be accepted;

ii. internal notice was sent to our sales department in April 2020 to explicitly prohibit the collection of customer payments through Third-Party Payors for orders placed on or after May 15, 2020;

iii. to ensure that our customers are aware of our new policy of cessation of Third-Party Payments, since May 2020, our purchase orders have clearly stated that all customers should settle payments directly to us and we do not accept any Third-Party Payments; and

iv. since September 1, 2020, our finance department has conducted inspection of the bank remittances for every payment in order to make sure no Third-Party Payment takes place. We will inform the bank and the relevant customer to make a refund if we find out there is Third-Party Payment in the future.

In preparation of the Listing, we engaged an independent external consulting firm (the "**Internal Control Consultant**") to review the internal control systems and procedures we have implemented in view of the cessation of the Third-Party Payment Arrangement. Based on the (i) enhanced procedures adopted by our Group as outlined above; and (ii) that since September 1, 2020 and up to the Latest Practicable Date, we have not received any Third-Party Payments from our customers, our Directors are of the view, which is concurred by the Internal Control Consultant, that the Third-Party Payment Arrangement has been rectified and the internal control measures can effectively prevent the recurrence of Third-Party Payments going forward.

BUSINESS ACTIVITIES RELATING TO SANCTIONED COUNTRIES

During the Track Record Period, we made sales and/or deliveries of our Chinese-origin products to wholesale traders and/or retailers in the aftermarket in relation to the Relevant Regions which are the Sanctioned Countries relevant to the Group's business operations during the Track Record Period. Among the Relevant Regions, Crimea, Iran and Syria are subject to comprehensive U.S. economic sanctions. To the best knowledge of our Directors, for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, our revenue derived from the sales and/or deliveries to the Relevant Regions (excluding Crimea, Iran and Syria) amounted to approximately RMB22.2 million, RMB12.6 million, RMB33.0 million and RMB16.1 million, respectively, representing approximately 5.9%, 3.5%, 7.5% and 10.7% of our total revenue for the same periods, respectively; and our revenue derived from the sales and/or deliveries to Crimea, Iran and Syria, which were all transacted in USD, amounted to approximately RMB 4.6 million, RMB0.3 million, nil and nil, respectively, representing approximately 1.2%, 0.1%, nil and nil of our total revenue for the same periods, respectively.

Sanctions Risk

The U.S. and other jurisdictions or organizations, including the EU, the UN, the U.K., the United Kingdom overseas territories and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. For a summary of the sanctions regimes imposed by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories and Australia, please refer to "Regulatory Overview — Sanctions Laws and Regulations" in this prospectus.

U.S.

Primary sanctions risk

As advised by our International Sanctions Legal Advisors, U.S. primary sanctions are applicable to activities involving a U.S. nexus such as funds transfers in U.S. currency that clear through the U.S. financial system. During the past five years (i.e. from 2015 to March 6, 2020), being the limitation period pursuant to the applicable statute of limitations under the relevant U.S. sanction laws and regulations, our Group received 297 payments in an aggregate amount of approximately US$14.5 million for U.S. dollar-denominated transactions in relation to Crimea, Iran and Syria which are among the countries/regions subject to comprehensive U.S. economic sanctions (currently Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine/Russia and the self-proclaimed Luhansk People's Republic and self-proclaimed Donetsk People's Republic regions) during the ordinary course of our business. Among these payments, we received (i) 12 payments from one customer in relation to our sales and/or deliveries to Crimea; (ii) 240 payments from 33 customers in relation to our sales and/or deliveries to Iran; and (iii) 45 payments from five customers in relation to our sales and/or deliveries to Syria. Our customers involved in these transactions are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket. As advised by our International Sanctions Legal Advisors, such U.S. dollar-denominated transactions in relation to Crimea, Iran and Syria appear to be in violation of U.S. primary sanctions laws that prohibit the use of U.S. financial system for this type of trade with Crimea, Iran or Syria.

The following table sets forth a breakdown of our revenue and gross profit from each of Crimea, Iran and Syria for the years indicated.

	Year ended December 31,			
	2019		2020	
Country/Region[(1)]	Revenue	Gross Profit	Revenue	Gross Profit
	RMB'000	RMB'000	RMB'000	RMB'000
Crimea	668	93	—	—
Iran	1,843	218	—	—
Syria	2,137	339	328	54
Total	**4,648**	**650**	**328**	**54**

Note:

(1) Country/Region generally referred to either (a) countries or regions where our customers are located or (b) the end destinations of the sales.

According to the OFAC Enforcement Guidelines, the base penalty amount is half the transaction value per each violation (capped at one-half of the applicable statutory civil penalty maximum) where a VSD is filed and the matter is not "egregious" in nature. The payments received for U.S. dollar-denominated transactions in relation to Crimea, Iran and Syria were approximately US$14.5 million. Based on calculation specified under the OFAC Enforcement Guidelines, the base penalty amount applicable to our Group is approximately US$7.3 million. As advised by our International Sanctions Legal Advisors, we had made an initial notification of VSD to OFAC on April 8, 2020 and submitted a full VSD report regarding these transactions on August 26, 2020 which was followed by a supplemental VSD submitted on September 29, 2020 to OFAC. On May 12, 2021, OFAC issued the Cautionary Letter to us which represents a final enforcement response to the apparent violations disclosed in the VSD. OFAC indicated that it was not pursuing any civil monetary penalty against us and the matter is addressed by issuance of the Cautionary Letter. Accordingly, both we and the Sole Sponsor (as advised by our International Sanctions Legal Advisors) and OFAC now consider the possible legal issues raised through the VSD to be fully closed with the issuance of the Cautionary Letter and without the imposition of any civil monetary penalty.

As advised by our International Sanctions Legal Advisors, issuance of a cautionary letter is one type of non-monetary resolution of an enforcement case. Pursuant to the OFAC Enforcement Guidelines, OFAC also has discretion in taking any of the following administrative actions in response to an apparent violation:

- *License Denial, Suspension, Modification, or Revocation*. OFAC authorizations to engage in a transaction (including the release of blocked funds) pursuant to a general or specific license may be withheld, denied, suspended, modified, or revoked in response to an apparent violation; and

- *Cease and Desist Order*. OFAC may order the subject person to cease and desist from conduct that is prohibited by any of the sanctions programs enforced by OFAC when OFAC has reason to believe that a subject person has engaged in such conduct and/or that such conduct is ongoing or may recur.

As advised by our International Sanctions Legal Advisors, we are not subject to OFAC's administrative actions given that we have not had obtained a general or specific license and we have ceased our business activities relating to Crimea, Iran and Syria. In addition, OFAC regulations provide for criminal penalties. Our International Sanctions Legal Advisors have indicated that in order for any criminal penalties to be imposed on us under the applicable OFAC regulations, there would have to be a finding that our actions constituted wilful wrongdoing such as proceeding the transactions with knowledge of violations of laws or attempting to conceal or hide our conducts. As advised by our International Sanctions Legal Advisors, there are no facts in our case that would support such a finding. As a result, our International Sanctions Legal Advisors have not identified any risk of the Group's exposure to criminal liability.

Moreover, as advised by our International Sanctions Legal Advisors, our business dealings (including our products which were onsold by our customers) with the Relevant Regions other than Crimea, Iran and Syria are consistent with the applicable primary U.S. sanctions, given that (i) we have not, either directly or indirectly, provided goods or services to any person, in other countries and regions subject to comprehensive U.S. economic sanctions; and (ii) none of the counterparties in the Relevant Regions, other than a shipping company located in Iran, have been designated on the SDN List during the Track Record Period. As advised by our International Sanctions Legal Advisors, since the U.S. dollar-denominated transactions in relation to the Relevant Regions other than Crimea, Iran and Syria did not violate the U.S. sanctions laws and regulations, these transactions did not warrant submission of VSD to OFAC. Specifically, the U.S. sanction laws and regulations only prohibited the use of the U.S. financial system to process the U.S. dollar-denominated fund transfers relating to sales to Comprehensively Sanctioned Countries. Sales to non-sanctioned customers in other Sanctioned Countries do not involve a violation of U.S. sanctions even if payments are denominated in U.S. dollars (for example, USD sales to non-sanctioned customers in the Balkans region are not prohibited). Therefore, we only submitted the initial VSD and supplemental VSD to OFAC for USD-denominated transactions made in relation to Crimea, Iran and Syria pursuant to relevant U.S. sanctions laws and regulations.

Secondary sanctions risk

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in dealings with Iranian SDNs or with certain types of industries in Iran even if no SDNs are involved. During the Track Record Period, a shipping company located in Iran which undertook the deliveries of our products to Iran has been designated by OFAC as a SDN in 2018. For the years ended December 31, 2019 and 2020, our revenue generated from products delivered by such shipping company in Iran was approximately RMB0.9 million and nil, respectively. In view of such, we have disclosed to OFAC our dealings with that shipping company as part of our VSD filing involving violations of primary U.S. sanctions. Moreover, as advised by our International Sanctions Legal Advisors, given that (i) the shipping company was engaged by our customers directly; (ii) our involvement with the relevant shipments was limited to bringing our products to the designated ports of loading while the shipping company acting as a shipping service provider for the deliveries; and (iii) we did not make any payment to the shipping company nor did we enter into any contract with it, our dealings with the shipping company should not be "significant" for purposes of section 1244 of the Iran Freedom and Counter-Proliferation Act of 2012 and they would not present exposure under U.S. secondary sanctions. As advised by our International Sanctions Legal Advisors, none of our counterparties in Iran (other than the shipping company involved) during the Track Record Period has been identified as a SDN. In addition, nothing had been brought to our attention that would indicate our products sold to Iran were sold to SDNs during the Track Record Period. Furthermore, our products have ceased to be delivered by such shipping company since mid-December 2019.

Besides, the U.S. also has secondary sanctions targeting provision of certain goods or services for the Iranian automotive industry. The relevant executive order includes secondary sanctions for any person who has engaged in a significant transaction for the sale, supply, or transfer to Iran of significant goods or services used in connection with Iran's automotive sector. The executive order defines the "automotive sector of Iran" to mean the manufacture or assembly in Iran of light and heavy vehicles and original equipment manufacturing and after-market parts manufacturing related to such vehicles. OFAC guidance further indicates that goods or services for the maintenance of finished vehicles would generally not be considered "significant goods or services", which clarifies that such sanctions are not targeting products for after-market sales in Iran. During the course of the dealings with our counterparties, we understood at the time when the transactions were made that our products sold to Iran were for aftermarket sales and not for manufacture or assembly of light and heavy vehicles or after-market parts of such vehicles during the Track Record Period. According to Frost & Sullivan, aluminum alloy automobile wheels for aftermarket sales in Iran are generally not used for manufacture and assembly of automobiles, given that automobile manufactures tend to purchase the wheels directly from automobile wheel manufacturers that are able to provide a large batch of specific product/model(s). In addition, the selection criteria of automobile manufacturers for suppliers is stringent and they generally would not procure aluminum alloy automobile wheels from aftermarket. Therefore, as advised by our International Sanctions Legal Advisors, although Iran's automotive industry is targeted by U.S. extraterritorial sanctions, given our products were sold to non-SDNs in Iran, and were provided for after-market sales and not for the manufacture or assembly of light and heavy vehicles or after-market parts of such vehicles in Iran thus are not targeting products under the relevant executive order, Iran-related secondary sanctions targeting the automotive industry should not be triggered by our Group's dealings.

United Nations

On the basis that our activities involving the Relevant Regions were limited to the sale of aluminum alloy automobile wheels that are not export-controlled, upon the advice of our International Sanctions Legal Advisors, our business dealings do not implicate restrictive measures adopted by the United Nations.

European Union, U.K. and United Kingdom overseas territories

Upon the advice of our International Sanctions Legal Advisors, our business dealings with respect to the identified customers in the Relevant Regions do not trigger the prohibitions or wider restrictions adopted by the European Union and the UK, including those extended to the United Kingdom overseas territories, since such business activities were not undertaken by EU, U.K. and United Kingdom overseas territories persons or entities and are limited to the sale of aluminum alloy automobile wheels which are not export-controlled in the European Union, U.K. and United Kingdom overseas territories or involved in the export from the European Union, U.K. and United Kingdom overseas territories of certain listed military or items that are normally used for civilian purposes but may have military applications.

Australia

Upon the advice of our International Sanctions Legal Advisors, on the basis that neither our Company nor any of our subsidiaries are connected to Australia and our dealings do not involve products or services that are restricted under Australian export controls, our activities with the Relevant Regions do not implicate the prohibitions or wider restrictions under International Sanctions measures administered and enforced by the government of Australia.

Views of our International Sanctions Legal Advisors

As advised by our International Sanctions Legal Advisors, apart from the Group's U.S. dollar-denominated transactions in relation to Iran, Crimea and Syria which have implicated restrictions under U.S. primary sanctions due to (i) the U.S. dollar payments received for such sales and/or deliveries; and (ii) such U.S. dollar payments were processed through the U.S. financial system, which were resolved with OFAC through the issuance of the Cautionary Letter, we did not violate relevant sanctions as a result of Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period. Our Directors confirm that these U.S. dollar payments did not involve any intentional wrongdoing but rather were due to a lack of awareness of the applicability of U.S. sanctions to U.S. dollar payments. To be certain that all of our Group's issues under International Sanctions law had been identified and addressed in the VSD filings, and that no other International Sanctions law or regulations had been implicated by our operations, our International Sanctions Legal Advisors performed the following procedures on our sales to the Relevant Regions subject to International Sanctions during the Track Record Period: (i) reviewed our documents that evidence the sale of our products to Relevant Regions subject to International Sanctions during the Track Record Period; and (ii) reviewed our list of customers to whom such sales of products to Relevant Regions subject to International Sanctions have been made during the Track Record Period against the lists of Sanctioned Persons (including the SDN List). Our Directors confirm that neither our Group nor any of our subsidiaries conducted any business dealings in or with any other countries or persons that are the subject of International Sanctions during the Track Record Period except for the sales for which all documentation had been provided to our International Sanctions Legal Advisors. Therefore, we are not in violation of and thus are not subject to any monetary or non-monetary penalty under International Sanctions imposed by United Nations, European Union, U.K., United Kingdom overseas territories and Australia.

In light of the war in Ukraine, additional International Sanctions were imposed on Russia, Belarus and certain regions of Ukraine. As advised by our International Sanctions Legal Advisors, as of the Latest Practicable Date, Russia (excluding the Crimea region) and Ukraine (excluding the Crimea region and the self-proclaimed Luhansk People's Republic ("**LPR**") and Donetsk People's Republic ("**DPR**")) are not Comprehensively Sanctioned Countries. However, the Crimea region, together with the LPR and the DPR (collectively the "**Sanctioned Regions**") are Comprehensively Sanctioned Countries.

Since March 7, 2020, we have ceased all business activities in connection with countries subject to comprehensive International Sanctions. As advised by our Company's International Sanctions Legal Advisors, as at the Latest Practicable Date, the sales and/or deliveries of our Chinese origin aluminum alloy automobile wheels to Russia and Ukraine (excluding the Sanctioned Regions) subject to the strict compliance to our internal control measures regarding International Sanctions, do not implicate violations of International Sanctions and thus, subject to the strict compliance to our internal control measures regarding International Sanctions, we would still be able to conduct business with Russia and Ukraine (excluding the Sanctioned Regions) in spite of the recent International Sanctions on Russia and certain regions of Ukraine. As of the Latest Practicable Date, we do not sell to the Sanctioned Regions. For the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, (i) our sales and/or deliveries to the Crimea region of Russia/Ukraine, that is a Comprehensively Sanctioned Country and the comprehensive sanctions on Crimea do not extend to the rest of Russia and/or Ukraine, (which were addressed in our VSD to OFAC) accounted for approximately 0.2%, nil, nil and nil of our total revenue, respectively; (ii) our sales and/or deliveries to Russia (excluding the Sanctioned Regions) accounted for approximately 0.1%, 0.7%, 1.5% and 1.3% of our total revenue, respectively; and (iii) our sales and/or deliveries to Ukraine (excluding the Sanctioned Regions) accounted for approximately 0.3%, 0.2%, 0.2% and 0.04% of our total revenue, respectively. As advised by our International Sanctions Legal Advisors, during the Track Record Period, excluding the Crimea-related USD-denominated sales disclosed in the VSD, our Group's sales to Russia and Ukraine did not involve sales to Comprehensively Sanctioned Countries (including the Sanctioned Regions) or Sanctioned Persons, as such did not constitute a violation to the International Sanctions, a Primary Sanctioned Activity or a Secondary Sanctionable Activity. Even if the complete cessation of business with Russia or Ukraine is required in the future to comply with International Sanctions, our Directors are of the view that, which is concurred by the Sole Sponsor, this cessation will not have any material impact on our Group's financial position and business operations.

Given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisors are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company and our subsidiaries, the respective directors and employees of our Company and our subsidiaries, our Company's or our subsidiaries' investors, shareholders as well as the Stock Exchange and its related group companies (including HKSCC, HKSCC Nominees Limited and the SFC).

Please refer to "Risk Factors — Risk Related to Our Business and Industry — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the U.S., the EU, the UN, Australia and other relevant sanctions authorities" for further details regarding sanctions risks.

Our undertakings and internal control procedures

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is specifically identified on the SDN List maintained by OFAC or other restricted parties lists maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories and Australia. Further, we have undertaken not to use the proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of international sanctions laws by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports (i) details of any new activities in Sanctioned Countries or with Sanctioned Persons; (ii) our efforts on monitoring our business exposure to sanctions risks; and (iii) the status of, and the anticipated plans for any new activities in Sanctioned Countries and with Sanctioned Persons.

Our Directors became aware of the comprehensive sanctions against Crimea, Iran and Syria only after we engaged our International Sanctions Legal Advisors for the purpose of Listing. Soon after receiving advice from our International Sanctions Legal Advisors based on their necessary due diligence procedures in early March

2020, our Group ceased the then existing business activities relating to Crimea, Iran and Syria which were subject to comprehensive sanctions immediately. Since March 7, 2020, we have ceased all business activities in connection with Crimea, Iran and Syria, which are subject to comprehensive sanctions. During the Track Record Period, our revenue generated from Crimea, Iran and Syria in aggregate accounted for approximately 1.2% and 0.1% of our total revenue for the years ended December 31, 2019 and 2020, respectively. Given that the revenue contribution derived from such countries/region in the years ended December 31, 2019 and 2020 is immaterial, our Directors are of the view, which is concurred by the Sole Sponsor, that our business, results of operations and financial performance has not been and will not be materially and adversely affected by the cessation of all business activities in connection with Crimea, Iran and Syria. Subject to our strict adherence to our internal control and risk management measures, we intend to continue our sales and/or deliveries of our products to customers in Sanctioned Countries other than those that are subject to comprehensive sanctions programs. However, our Directors do not expect any material increase in our Group's sales or deliveries to these countries and regions. The following internal control and risk management measures have been fully implemented as at the Latest Practicable Date:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our legal department is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our legal department will hold at least two meetings each year to monitor our exposure to sanctions risks;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Sanctioned Countries and with Sanctioned Persons. According to our internal control procedures, our legal department needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and with Sanctioned Persons. In particular, our legal department will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. Officers from our legal department will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

- including a compliance clause in contracts with the Group's customers and suppliers or request a separate certification from the customers and suppliers, requesting them to undertake (i) to comply with all sanctions imposed by the U.S., the EU, the UN, the U.K. and other economic sanctions applicable to them and us; (ii) not to take any action, including the sale, distribution or delivery of our products which could cause them or us to violate any applicable sanctions; and/or (iii) not to take any action, including the sale, distribution or delivery of any products to our Group which could cause them or us to violate any applicable sanctions.

- including a condition in our contracts and/or purchase orders with our customers to the effect that our Group may take any actions that we deem appropriate for us to confirm compliance with applicable International Sanctions in order to provide additional contractual deterrence to our customers.

- we will ensure that we are not engaged in any Secondary Sanctionable Activity which is targeted by secondary sanctions by (i) refraining from transactions relating to Cuba, Syria, Iran and Crimea region against which secondary sanctions have been imposed; (ii) refraining from transactions dealing with, supporting or assisting SDNs upon our screening against the counterparties; and (iii) refraining from entering certain industries which are subject to secondary sanctions including among others, oil/gas production and exploration or production for deepwater.

- our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;

- our legal department will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our legal department considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, we will arrange external international legal counsel to provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Persons. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally.

Our International Sanctions Legal Advisors have reviewed and evaluated these internal control measures and are of the view, which is concurred by the Sole Sponsor, that these measures are adequate and effective for our Company, based on our products and risk assessment, to comply with applicable international sanction laws and our undertakings to the Stock Exchange.

Having taken into account the above advice of our International Sanctions Legal Advisors, our Directors are of the view, which is concurred by the Sole Sponsor, that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. Our enhanced internal control measures have also been reviewed by our Internal Control Consultant, who are of the view, which is concurred by the Sole Sponsor, that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

RAW MATERIALS

Procurement of Raw Materials

The principal raw material we use for our production is aluminum alloy ingot. Our raw materials also include paints and packaging materials.

We plan our raw material procurement based on our production schedule, which is in turn determined by the order we received. We purchase raw materials from qualified suppliers who have passed our background check. During the Track Record Period, we were able to procure raw materials in quantities sufficient for our production need from our suppliers. During the Track Record Period, we did not experience any major interruption of the supply of raw materials nor did we carry significant inventories of aluminum alloy ingots in excess of those reasonably required to meet our production and shipping schedule. We are well-prepared for the event of raw materials shortage as we rely on multiple suppliers for our primary raw materials to avoid overreliance on a single supplier.

As our principal raw material, aluminum alloy ingot represents the largest component of our cost of sales. During the Track Record Period, the cost of aluminum alloy was approximately RMB169.0 million, RMB160.6 million, RMB225.9 million and RMB78.0 million for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, representing approximately 56.3%, 56.4%, 62.2% and 63.7% of the total cost of sales of the corresponding periods. According to Frost & Sullivan, the price of aluminum alloy ingot is highly correlated to the price of aluminum ingot. As a result, fluctuations in the price of aluminum ingot has historically affected the pricing of our products and our results of operation. A time gap generally exists between the point when the sales price is determined with customers and the point when the products are produced. As a result, we may not be able to effectively pass on the increase in cost of materials to our customers if the materials used for production are procured after the sales price is determined and there is a sharp increase in the price of raw materials during the time gap. According to Frost & Sullivan, the general production time gap for aluminum alloy automobile wheels manufacturers in the PRC is approximately three to six months, and the production time gap of our manufacturing facility is generally within such range of time. According to Frost & Sullivan, the average price of aluminum ingot increased from RMB15,697.6 per ton in the fourth quarter of 2020 to RMB18,646.2 per ton in the second quarter of 2021, and further increased to RMB20,270.6 per ton in the fourth quarter of 2021. Such significant increase in the price of raw materials within a short period of time lead to decrease in our gross profit margin from 21.4% for 2020 to 17.5% for 2021. According to Frost & Sullivan, the whole aluminum alloy automobile wheel manufacturing industry experienced a sharp increase in the price of aluminum ingot during this period and it was a common challenge in the industry for aluminum alloy automobile wheel manufacturers to effectively pass on the increase in aluminum ingot cost to customers. For more details of the price trend of aluminum ingot, please refer to "Industry Overview — Competitive landscape of aluminum alloy automobile wheel market in China — Price trend of major raw materials" in this prospectus.

In order to mitigate future impact of the increase in cost of raw materials on our results of operations, we have implemented the following measures: (i) we will strive to ensure that purchase orders are placed on the basis that there is sufficient inventory of raw materials to satisfy the purchase orders thereby ensuring that the price is set with reference to the cost of the current inventory of raw materials; (ii) in the event where there is insufficient inventory of raw materials to satisfy the purchase order, we will strive to ensure our purchase orders are processed and completed within two months in order to minimize the discrepancy between the cost estimated for production and the actual cost incurred if raw materials are procured after the purchase orders is placed; and (iii) we will closely monitor the latest price trend of our raw materials and conduct weekly reviews on pending purchase orders and production schedule to ensure any necessary price adjustments are implemented on a timely basis. The following table sets forth the main operating data during the first half of 2021 and the second half of 2021:

	Six months ended June 30, 2021	Six months ended December 31, 2021
Average price of aluminum ingot (RMB/ton)	17,446.5	20,455.7
Average sales price of aluminum alloy automobile wheels (RMB)	349	404
Average monthly sales volume (units)	94,722	95,256
Overall gross profit margin	16.5%	18.4%
Gross profit margin for sales of aluminum alloy automobile wheels	16.6%	18.7%

Despite the continuing increase in price of aluminum ingot, our operating data have continued to improve since the second half of 2021. Our gross profit margin for the sales of aluminum alloy automobile wheels increased from 16.6% in the first half of 2021 to 18.7% in the second half of 2021 which indicates a progressive improvement in transferring the increase in cost of raw materials to our customers. Despite the increase in the average sales price of our aluminum alloy automobile wheels, our monthly sales volume further increased in the second half of 2021, which indicates that our sales volume remains unaffected by the rising cost of raw materials.

According to Frost & Sullivan, the average price of aluminum ingot increased from RMB20,270.6 per ton in the fourth quarter of 2021 to RMB22,076.7 per ton in the four months ended April 30, 2022. From May to September 2022, the average price of aluminum ingot went into a downward trend. For the underlying reasons of such fluctuation, please refer to "Industry Overview — Competitive landscape of aluminum alloy automobile wheel market in China — Price trend of major raw materials" in this prospectus. The following table sets forth the main operating data during the five months ended May 31, 2021 and 2022:

	Five months ended May 31, 2021	Five months ended May 31, 2022
Average price of aluminum ingot (RMB/ton)	17,193.1	21,710.7
Average sales price of aluminum alloy automobile wheels (RMB)	344	431
Average monthly sales volume (units)	90,921	68,040
Overall gross profit margin	17.0%	18.3%
Gross profit margin for sales of aluminum alloy automobile wheels	17.0%	18.5%

In response to the significant increase in the price of raw materials (i.e. aluminum alloy ingot), we have made price adjustments on a timely basis by increasing the average sales price from approximately RMB344 for the five months ended May 31, 2021 to approximately RMB431 for the five months ended May 31, 2022, representing a period-to-period increase of approximately 25.3%. With the price adjustment and the increase in sales proportion of medium-sized and large-sized aluminum alloy automobile wheels (which have higher gross profit margins than our small-sized wheels) in the five months ended May 31, 2022, which also accounted for a higher proportion in our total sales in the same period, our gross profit margin for the sales of aluminum alloy automobile wheels increased from 17.0% for the five months ended May 31, 2021 to 18.5% for the five months ended May 31, 2022, which indicates the effectiveness of our efforts in transferring the increase in cost of raw materials to our customers.

In view of the above, our Directors are of the view, which is concurred by the Sole Sponsor, that the measures we have put in place have been effective in transferring the increase in the price of aluminum ingot to our customers. Accordingly, our Directors believe that the risks associated with the increase in the price of raw materials will not materially and adversely affect our operation in the long term.

Despite the effective transfer of the increase in cost of raw materials to our customers, our average monthly sales volume decreased from 90,921 units for the five months ended May 31, 2021 to 68,040 units for the five months ended May 31, 2022, representing a period-to-period decrease of 25.2%, which was mainly due to the impacts on our business operation brought by the regional outbreaks of COVID-19 in the PRC in early 2022, in particular, delay in delivery of our products to overseas markets. For details of the regional outbreaks of COVID-19 in the PRC in early 2022, please refer to the paragraph headed "Summary — Recent Developments — Outbreak of COVID-19 — Recent regional outbreaks of COVID-19 in the PRC" in this prospectus.

Our Procurement Process

We have established a comprehensive procurement process which has clearly defined steps that our procurement department needs to follow and specific duties for which each party in the procurement process is responsible. Our objective is to streamline our procurement process for the sake of improving efficiency, lowering the overall cost of procurement, cultivating cooperation between relevant departments, standardizing process and satisfying our need for high quality raw materials.

Our raw material procurement process starts with the report filed by the manufacturing department in need of raw materials. After the report is filed with our procurement department, the designated staff in the procurement department will review the report and notify our warehouse staff to check the current level of raw materials in our warehouse.

For aluminum alloy ingots which is our principal raw material, and main ancillary materials including paints and packaging materials, if the current storage level does not meet our planned production schedule, the personnel from procurement department typically will place procurement order with the qualified supplier in accordance with the annual supply framework agreement signed between us and the selected qualified supplier and submit such order to the financial department for payment. In some extraordinary cases, when there is an unexpected surge in demand for our principal raw material in the market and our suppliers with whom we enter into annual supply framework agreement cannot supply additional raw materials, we may place special procurement order with other qualified suppliers to fulfill our production need.

For other ancillary raw materials such as machine parts, if the current storage level is low, our procurement department will start the supplier evaluation process and price determination process. Staff from our procurement department will select suppliers and review price bid. Once the selection of supplier is completed and the purchase price is finalized, our procurement department will submit the draft raw material order to the review working group under the office of the general manager for review. Once the draft order has been approved, the procurement department will place raw material order with the selected suppliers and submit such order to the financial department for payment.

After the raw materials have arrived at our manufacturing facility, we will start our quality inspection process. If the quality does not meet our standard, then such raw materials will be returned to that supplier for refund.

SUPPLIERS

Overview

Our major suppliers during the Track Record Period were primarily suppliers of aluminum alloy ingots. During the Track Record Period, all our suppliers were based in the PRC. We evaluate our major suppliers on an annual basis and only those that pass our internal review are qualified to supply raw materials to us.

The following table provides an overview on the key information about our top five suppliers during the Track Record Period.

Year ended December 31, 2019

No.	Supplier	Amount of purchase (RMB'000)	Percentage of total purchase (%)	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date (Years)	Major material/ services purchased	Country/ region
1.	Shanghai Yuandu Investment Co Ltd(1)	113,122	46.9	Prepayment	Bank transfer	6	Aluminum alloy ingot	Shanghai, PRC
2.	Zhejiang Haiyue Technology Co Ltd(2)	29,994	12.4	Pay immediately after acceptance	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
3.	Buyang PRC(3)	23,379	9.7	Pay at the end of the year	Bank transfer	15	Natural gas and electricity	Zhejiang, PRC
4.	Xinjiang Fanglue Aluminum Co Ltd(4)	7,753	3.2	Pay immediately after acceptance	Bank transfer	7	Aluminum alloy ingot	Xinjiang, PRC
5.	Guangde Jiabaoli Chemical Industry Co Ltd(5)	4,878	2.0	Payment after receiving invoice	Bank's acceptance	9	Automobile hub coating	Anhui, PRC
Total		**179,126**	**74.2**					

Year ended December 31, 2020

No.	Supplier	Amount of purchase (RMB'000)	Percentage of total purchase (%)	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date (Years)	Major material/ services purchased	Country/ region
1.	Zhejiang Haiyue Technology Co Ltd(2)	97,258	39.7	Pay immediately after acceptance	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
2.	Shanghai Yuandu Investment Co Ltd(1)	61,702	25.2	Prepayment	Bank transfer	6	Aluminum alloy ingot	Shanghai, PRC
3.	Buyang PRC(3)	9,549	3.9	Pay at the end of the year	Bank transfer	15	Natural gas and electricity	Zhejiang, PRC
4.	Yongkang Xinao Gas Company Limited(6)	8,707	3.6	Pay at the end of each month	Bank transfer	2	Natural gas	Zhejiang, PRC
5.	Guangde Jiabaoli Chemical Industry Co Ltd(5)	5,272	2.2	90 days after acceptance	Bank's acceptance	9	Automobile hub coating	Anhui, PRC
Total		**182,488**	**74.6**					

Year ended December 31, 2021

No.	Supplier	Amount of purchase (RMB'000)	Percentage of total purchase (%)	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date (Years)	Major material/ services purchased	Country/ region
1.	Zhejiang Haiyue Technology Co Ltd(2)	146,867	46.8	Prepayment	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
2.	Yongkang Shuolei Trading Co Ltd(7)	57,914	18.5	Prepayment or pay immediately after acceptance	Bank transfer	1	Aluminum alloy ingot	Zhejiang, PRC
3.	Shanghai Yuandu Investment Co Ltd(1)	19,672	6.3	Prepayment	Bank transfer	6	Aluminum alloy ingot	Shanghai, PRC
4.	Yongkang Xinao Gas Company Limited(6)	11,643	3.7	Pay at the end of each month	Bank transfer	2	Natural gas	Zhejiang, PRC
5.	Buyang PRC(3)	7,874	2.5	Pay at the end of the year	Bank transfer	15	Electricity	Zhejiang, PRC
Total		**243,970**	**77.8**					

Five months ended May 31, 2022

No.	Supplier	Amount of purchase (RMB'000)	Percentage of total purchase (%)	Credit term	Payment method	Approximate years of business relationship as of the Latest Practicable Date (Years)	Major material/ services purchased	Country/region
1.	Zhejiang Haiyue Technology Co Ltd(2)	28,314	30.9	Prepayment	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
2.	Inner Mongolia Chaojin New Material Co Ltd(8)	22,133	24.1	Prepayment	Bank transfer	13	Aluminum alloy ingot	Inner Mongolia, PRC
3.	Yongkang Shuolei Trading Co Ltd(7)	18,726	20.4	Pay immediately after acceptance	Bank transfer	1	Aluminum alloy ingot	Zhejiang, PRC
4.	Yongkang Xinao Gas Company Limited(6)	3,767	4.1	Pay at the end of each month	Bank transfer	2	Natural gas	Zhejiang, PRC
5.	Buyang PRC(3)	2,882	3.1	Pay at the end of the year	Bank transfer	15	Electricity	Zhejiang, PRC
Total		**75,822**	**82.6**					

Notes:

(1) It is a limited liability company established in 2013 with the registered capital of RMB10.0 million, which primarily engages in sale of metallic material, minerals products and edible agricultural products.

(2) It is a limited liability company established in 2012 with the registered capital of RMB10.01 million, which primarily engages in wholesale and retail for non-ferrous metals, auto parts and accessories.

(3) It is a limited liability company established in 1998 with the registered capital of RMB23.8 million owned by our Controlling Shareholders. It primarily engages in development, manufacturing, sales, and installation of doors and smart home devices. During the Track Record Period, pursuant to an agreement signed between Buyang PRC and our Group, Buyang PRC would pay the electricity and gas fee on our behalf and we would then reimburse the amount to Buyang PRC based on our actual usage and the unit price charged. For details, please refer to "Relationship With Our Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence" in this prospectus.

(4) It is a limited liability company established in 2014 with the registered capital of RMB10.0 million, which primarily engages in manufacturing, processing and sale of aluminum alloy ingot.

(5) It is a limited liability company established in 2002 with the registered capital of RMB5.0 million, which primarily engages in manufacturing and sale of polyester resin varnish and emulsion paint.

(6) It is a limited liability company established in 2005 with the registered capital of USD8.0 million and is indirect wholly owned by a company listed on Hong Kong Stock Exchange which primarily engages in provision of natural gas. We have started to pay our gas provider Yongkang Xinao Gas Company Limited directly, not through reimbursement to Buyang PRC since May 2020.

(7) It is a limited liability company established in 2020 with the registered capital of RMB3.0 million, which primarily engages in sales of metal products and non-ferrous metal alloy.

(8) It is a limited liability company established in 2014 with the registered capital of RMB20.0 million, which primarily engages in production and process of aluminum products and auto parts.

Our top five suppliers during the Track Record Period are primarily suppliers of aluminum alloy ingots. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, purchase amount from our top five suppliers was approximately RMB179.1 million, RMB182.5 million, RMB244.0 million and RMB75.8 million, respectively. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our top five suppliers accounted for approximately 74.2%, 74.6%, 77.8% and 82.6% of our procurement cost of the same periods, respectively. Our top five suppliers for the five months ended May 31, 2022 had maintained business relationships with us for an average of around six years.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, purchase amount from our largest supplier was approximately RMB113.1 million, RMB97.3 million, RMB146.9 million and RMB28.3 million, respectively, representing approximately 46.9%, 39.7%, 46.8% and 30.9% of our total purchase cost, respectively. The raw material supplied by our largest supplier for each of the year/period of the Track Record Period is aluminum alloy ingot. According to Frost & Sullivan, it is a normal market practice that in the aluminum alloy automobile wheel industry for the wheel manufacturers to procure aluminum alloy ingot mainly from one or a limited number of suppliers since establishing a long term, stable and large-scale supply relationship with certain suppliers allows the wheel manufacturers to procure aluminum alloy ingots with a more favorable price, and ensures a more stable and cost-controllable supply chain. According to Frost & Sullivan, China has sufficient supply of bauxite (which is the raw material for producing aluminum ingot) and the production of aluminum ingot is of low technological barrier. There are plenty of aluminum alloy ingot producers in the PRC and most of them can stably supply high quality aluminum alloy ingot product in terms of (i) purity of aluminum ingot used with purity over 99.7%; (ii) yield strength and tensile strength of aluminum alloy ingot of larger than 110 MPa and 205 MPa, respectively; and (iii) quality consistency that each batch of products will meet the required standard. According to Frost & Sullivan, based on latest available data in 2022 released by the National Bureau of Statistics, there are approximately 29,400 aluminum alloy ingot suppliers in China. As a result, the wheel manufacturers can easily replace their existing supplier with new one without affecting their production. For example, our largest supplier in the year ended December 31, 2019 has been replaced by other supplier in the five months ended May 31, 2022. Accordingly, there is generally no material risk of over-reliance on one or a limited number of suppliers in the aluminum alloy ingot supply chain in the PRC. Nevertheless, we have maintained an approved list of suppliers which are capable of supplying aluminum alloy ingot to us to mitigate the potential impacts of reliance on our largest supplier.

During the Track Record Period, Buyang PRC, one of our top five suppliers was owned by Mr. Xu, our chairman, non-executive Director and Controlling Shareholder and by Ms. Chen, our Controlling Shareholder. For more details, please refer to "Connected Transactions" and "Relationship with our controlling shareholders" in this prospectus. Other than Buyang PRC, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of the top five suppliers during the Track Record Period.

Supplier Management

To ensure the quality of our products, we need to have access to high quality raw materials on an uninterrupted basis at a competitive price. Toward that end, we have established a supplier management system through which we determine which suppliers are qualified. For suppliers of principal raw materials, paints and packaging materials, we will evaluate the supplier on a variety of factors which primarily include (i) how advanced its machineries, equipment and testing tools are; (ii) how comprehensive its quality management is; (iii) whether it has obtained the necessary quality certification; and (iv) whether it provides post-sale customer service. Once a certain supplier passes the evaluation, it will be qualified to supply raw materials to us. We conduct internal evaluation on our existing major suppliers on a yearly basis. We select new suppliers by conducting a multi-factor evaluation on the potential supplier's offering price, production capacity, technology and product standard, industry ranking and logistics.

Agreements with Suppliers of Raw Material

We have entered into annual framework supply agreements with selected suppliers for aluminum alloy ingots, paints and packaging materials. The actual procurement is conducted through individual procurement order pursuant to the annual framework supply agreement.

Annual framework supply agreement with our qualified suppliers

We enter into framework supply agreement with our selected qualified suppliers on an annual basis to facilitate our continuous procurement of raw materials. Once the framework agreement is signed by us and the supplier, we may place procurement orders for materials governed by such framework supply agreement from time to time. The exact quantity depends on our work schedule and demand.

In such framework supply agreement, we generally set forth basic terms including:

- quality specifications;
- delivery arrangement;
- inspection standard;
- formula for calculating per ton price (only for aluminum alloy ingots);
- payment method and credit terms; and
- dispute resolution clause.

We are generally required to make prepayment or pay for the aluminum alloy ingot upon acceptance. Due to the fluctuation of the price of aluminum alloy ingot, the exact per ton price of each shipment from the supplier will be determined based on the formula set out in the framework agreement. For more details of the price trend of aluminum alloy ingot, please refer to "Industry Overview — Competitive Landscape of Aluminum Alloy Automobile Wheel Market in China - Price Trend of Major Raw Materials" in this prospectus. For paints and packaging materials, we generally pay our suppliers with bank's acceptance. The actual price and purchase amount of such materials may be adjusted on an order by order basis and may be different from the price and amount in the annual framework supply agreement.

Procurement orders under the framework agreement

We place procurement orders with our suppliers under the annual framework supply agreement. We determine the exact quantity of material ordered in accordance with our monthly production targets.

We generally require our supplier to make delivery of the quantity as specified in the order to the designated place. For suppliers of aluminum alloy ingots, we require such suppliers to present certification of quality attesting that the quality of the raw materials conforms with the specific quality standard as agreed by us and the supplier. We will also include the exact price, payment method and the standard of inspection in the order for the aluminum alloy ingots. For paints and packaging, we may procure such materials through written purchase order or verbal communication between our procurement staff and the supplier.

Risks associated with the fluctuation of aluminum alloy price

The fluctuations in the prices of raw materials are common in the industry. Our business could be negatively affected if the price of raw material increases dramatically within a short amount of time.

Whenever such unexpected event happens, in particular if it happens to the price of aluminum alloy ingots, we will generally pass on the increase in cost to our customers by increasing our product price. Also, our management holds regular cost analysis meetings to evaluate raw material price trends and production costs in the coming months and plan our production and sales accordingly. We would from time to time make strategic purchase to increase our inventory level when we believe the market price of the raw material is comparatively reasonable.

We did not enter into any hedge contracts with regard to procurement of raw materials during the Track Record Period and as of the Latest Practicable Date. We do not currently have any hedging policies with regard to our raw materials.

QUALITY CONTROL

We believe that effective quality control is quintessential to ensure that our products maintain a high-level of performance and reliability. Our products achieve such a high quality through our careful quality control, inspections and tests throughout every step of our manufacturing process. Our staff follow closely on our quality control protocols which not only lay out the general framework of our comprehensive quality control, but also specify in great details on how each variable should be regulated and how each possible defect could occur and how to properly address these defects. We regularly hold trainings for all of our manufacturing staff on quality control and defect prevention. Whenever our aluminum alloy automobile wheels have a particular defect that is either unusual or bears a high possibility of reoccurrence in our future production, we also hold *ad hoc* post-shift troubleshooting sessions to collectively address the defects. We also own and operate a wide variety of testing tools and equipment procured from reputable brands to guarantee the accuracy and comprehensiveness of our tests.

We also have a dedicated quality control department consisting of 35 experienced quality control staff as of May 31, 2022. The department is headed by one department head who leads the entire quality control process. There are specialized quality control working groups organized under the quality control department, each specializing in one of the manufacturing processes.

We obtained IATF 16949:2016 certificate for our quality management system in 2018. IATF 16949 is a standard published by the International Automotive Task Force and is a technical specification aimed at the development of a quality management system that provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain. As of the Latest Practicable Date, we continue to hold such certification. We also received certification issued by TÜV Rhineland Italia S.r.l on our quality management system in 2013 and certification of accreditation issued by Japan Light Alloy Automotive Wheel Testing Council on quality testing equipment in 2016.

During the Track Record Period, we have not encountered significant product return due to quality related issues.

We implement quality control measures at each major manufacturing phase:

Quality control for raw materials

Our quality control department conducts sample testing on aluminum alloy ingots to determine if they have met the desired chemical composition, temperature and density. We own a series of modern testing equipment and our highly trained quality inspectors operate modern testing equipment to conduct the testing to ensure the accuracy of the result.

Quality control for casting

We conduct X-ray inspection on the rough casts of aluminum alloy automobile wheels on structural defects. We also conduct rough casts general appearance inspection and deformation inspection to determine if the inner structures of the rough casts are in good condition.

Quality control for heat treatment

We conduct temperature test during the heat treatment process to evaluate whether the aluminum alloy automobile wheels are heated properly. We also conduct hardness test after the heat treatment to determine if the aluminum alloy automobile wheels have achieved desired physical property mandated by us.

Quality control for machining

We conduct air tightness test, dynamic balancing test, runout test and dimension test after the machining process. For air tightness test, we inject air into the aluminum alloy automobile wheels while placing the wheels into a water tank to observe if there is any leakage. For dynamic balancing test, we place and secure aluminum alloy automobile wheels on the balance testing tools in a balanced position, and spin the wheels to check if the wheels are balanced while in motion. For runout test, we put our aluminum alloy automobile wheels in motion and observe how much the wheels wobble. The result of which is used to determine if there is any unbalanced distribution of weight for the wheels tested. For dimension test, we use relevant testing equipment and tools to determine if the general shape of the wheels complies with our set of technical perimeters.

Quality control for painting

During the painting phase, we conduct baking temperature test so as to evaluate whether the paint has been properly applied on the aluminum alloy automobile wheels. Failure to control the temperature could result in discoloration or detachment of paint from the aluminum alloy automobile wheels. We conduct coating film test, general appearance test and color difference test after applying paint on the aluminum alloy automobile wheels to make sure that the paint film is within the desirable thickness and color, and the general appearance of the aluminum alloy automobile wheels is consistent and without blemish.

Quality control for packaging

We will conduct the final inspection of the products during the packaging phase for the purpose of ensuring that the packaging is intact, the shipping information is correct, and the correct quantity and type of aluminum alloy automobile wheels are shipped to the ordering customers.

We have been continuously improving our quality control capability by procuring modern equipment and testing tools from established overseas and domestic manufacturers. The following table describes our major quality control equipment and testing tools in our manufacturing facility as of May 31, 2022:

Name of the equipment	Expected purpose and features of the equipment	Country/ Region of origin	Unit
X-ray detector	Detecting internal defects in the rough cast of aluminum alloy automobile wheels	PRC	2
Coordinate measuring machine	Evaluating the distribution of bolt holes of aluminum alloy automobile wheels	PRC	1
Salt spray cabinet	Evaluating the anti-corrosion property of paint applied to aluminum alloy automobile wheel	PRC	3
Comprehensive impact tester	Evaluating the structural integrity of aluminum alloy automobile wheels and their ability to withstand impacts	Taiwan	1
Aluminum alloy automobile wheel bending fatigue tester	Conducting fatigue tests on aluminum alloy automobile wheels	PRC, Taiwan	2
Microcomputer controlled electronic universal tensile testing machine	Conducting tension testing on aluminum alloy automobile wheels whereby controlled tension is applied to evaluate the tensile strength, yield strength and ductility of the aluminum alloy automobile wheels	PRC	1

WAREHOUSE MANAGEMENT

Our warehouse is used primarily for storing raw materials and finished products ready for delivery. We follow the "First in First out" method when managing our stored raw materials. We have the following primary objectives on warehouse management:

- maintain the quality of items while they are stored in our warehouse and comply with the safety principles to avoid accidental damage to the stored items;
- have accurate statistics on the storage information on a daily basis;

- maintain the correct labeling of the items to improve work efficiency and avoid delivering the wrong products to our customers; and

- manage full storage cycle which includes conducting proper disposal of idled items.

When our warehouse receives a new batch of raw materials, we store them in the designated locations and proper protection measures will be applied such as covering the aluminum alloy ingots with plastic cover to prevent moisture and dust. We will keep constant checks on our inventory of raw materials to make sure that there is no discrepancy between our record and the actual stock in the warehouse. We also keep defective materials separate from the rest of qualified materials to minimize the risk of bringing defective materials into the manufacturing process. We also store our finished products. We conduct a final inspection before the delivery of our products. Any defective or mislabeled products are not allowed to be stored in our warehouse.

We keep our warehouse in a physically clean and organized fashion. Each designated area in the warehouse is clearly identified (e.g. material placement area, safety channel, product distribution area, defective material storage area, and fire-fighting facilities placement area).

During the Track Record Period, we did not experience any material interruptions or suffer any material loss as a result of errors in our warehouse management.

DELIVERY

For our domestic sales, we generally engage independent third-party logistic companies to make delivery of our products. The delivery cost is borne by our Group or our customers depending on our negotiation with our customers. All of our products are delivered from our manufacturing facility directly to the designated location.

For our overseas sales, our products are mainly delivered to the place or vessel designated by our customers on FOB basis and we generally bear the delivery costs incurred up to such designated place or vessel. We generally engage logistic agents to arrange delivery of products. We normally sign long-term logistic agreement with our selected logistic agents. Our agreement usually lasts for one year and sets out, among other things, allocation of responsibilities between the parties such as the work of our logistic agents which includes handling of warehouse reservation, customs clearance, customs inspection, packaging, transfer of shipment, and payment of freight on behalf of us. During the Track Record Period, save and except that one of our Group's logistic agents (which was responsible for delivery of our products to the port in the PRC for our overseas customer since 2019) was our PRC customer in the years ended December 31, 2020, 2021 and the five months ended May 31, 2022, none of our logistic agents is related to our Group's customers and/ or Third-Party Payors.

DESIGN AND DEVELOPMENT

As of May 31, 2022, we have a design and development team of 9 employees. During the Track Record Period, our design and development efforts focused on new aluminum alloy automobile wheel designs and mold production.

We produce aluminum alloy automobile wheel pursuant to customers' requirements and specifications in respect of a wide variety of features of the wheels such as size, design and color. We also develop our new mold based on our understanding of the aluminum alloy automobile wheels market and our estimation of the preference of our customers. We use a combination of 2D and 3D computer aided designing softwares to create digital blueprint of the aluminum alloy automobile wheel design and we build our mold and prototypes based on such a design. If the new design passes the quality test, then it will go into batch production.

Our highly trained designers produced approximately 170, 140, 110 and 50 new molds for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. During the Track Record Period, we were able to produce a new mold within a development period of merely 29 to 52 days.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business development both in the PRC and overseas. We registered our trademark BYW in the PRC in August 2014 and used it as our primary trademark. We have registered this trademark in EU, the United States, Russia and Hong Kong. As of the Latest Practicable Date, we had five other registered trademarks in the PRC. We believe that as we continue to cultivate our brand image, the added brand value will become our core strength when competing with other PRC-based aluminum alloy automobile wheels manufacturers. We have also registered 90 design patents for wheel design in the PRC as at the Latest Practicable Date. For more details of the intellectual property rights which are material to our business, please refer to “Statutory and General Information — 2. Further information about our business — B. Intellectual property rights” in Appendix IV to this prospectus.

Our business involves trade secrets which include investment decision, product pricing, market analysis and advertising strategy, and know-hows which include product design, blueprints, manufacturing processes and proprietary computer software that are either unpatentable or difficult to enforce. We rely on confidentiality agreements to protect our interests. All members of management have entered into agreements in relation to confidentiality, proprietary information and non-competition with us. These agreements specify that all of the relevant employees’ inventions and designs developed during the course of their employment belong to us.

We have not been involved in any material intellectual property rights infringement claims or litigation during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND ACCREDITATION

We have received a number of awards and certifications since our establishment in recognition of our Group and the quality of our products. The following table sets forth some of the significant awards and certifications we have received from independent entities:

Awards/Certificates	Awarded by	Year
Certificate of Zhejiang Name Brand (浙江名牌產品證書)	Zhejiang Bureau of Quality and Technical Supervision	2018
"Zhejiang Made" certification (浙江製造認證證書)	Zhejiang Made International Certification Alliance* (浙江製造國際認證聯盟)	2018
Jinhua Famous Trademark* (金華市著名商標)	Jinhua City Brand Creation Leading Group* (金華市創牌工作領導小組)	2018
Jinhua Famous Brand* (金華名牌)	Jinhua Bureau of Quality and Technical Supervision* (金華市質量技術監督局)	2018
Yongkang City Government Quality Award* (永康市政府質量獎)	Yongkang City People's Government	2020
Leading Enterprise of the Automobile Industry in Yongkang City in 2020* (2020年度永康市車業龍頭企業)	Yongkang City People's Government	2020
Most Influential PRC Aluminum Automobile Wheel Brand* (最具影響力的中國鋁車輪品牌)	Quality Miles "Aluminum Wheel" Organizing Committee* (《鋁車輪》質量萬里行組委會)	2021

COMPETITION

The aluminum alloy automobile wheels market is highly competitive. Over the past decade, a large number of new market participants entered the industry in the PRC as a result of growth of global automobile market and certain advantages in production such as cheaper manufacturing cost, sufficient supply of aluminum and skilled labor. According to Frost & Sullivan, there were around 500 to 600 aluminum alloy automobile wheel manufacturers in China and there were more than 500 participants, including manufacturers and trading companies which exported aluminum alloy automobile wheels for more than 1,000 units in the PRC in 2021.

Also, the market is dominated by a few major aluminum alloy automobile wheel manufacturers. According to Frost & Sullivan, the top ten manufacturers by exported volume amassed a combined market share of 47.6% in 2021.

Our key competitors consist of PRC-based medium size aluminum alloy automobile wheel manufacturers which focus on the aftermarket. For more details, please refer to "Industry Overview — Competitive Landscape of Aluminum Alloy Automobile Wheel Market in China" in this prospectus.

PROPERTIES

Owned Property

As at the Latest Practicable Date, we held one parcel of land on 7(3) Buyang Road, Yongkang City, Zhejiang Province with an area of approximately 11,500 sq.m. for industrial use. As advised by our PRC Legal Advisors, we have obtained the land use right certificate for this parcel of land.

We plan to construct part of our New Manufacturing Facility on the above parcel of land to accommodate our expansion of production capacity. For further details, please refer to "Our business strategies — Expand our production capacity to enhance our market shares" in this section of the prospectus.

Leased Property

Our current manufacturing facility, administrative facilities and warehouse are located in the Leased Property in Yongkang City, Jinhua City, Zhejiang Province and occupy an aggregate floor area of approximately 18,153 sq.m. As of the Latest Practicable Date, we do not hold the property ownership certificate of the Leased Property because we rent the Leased Property from Buyang PRC, which is controlled by our Controlling Shareholders. For more details, please refer to "Relationship with Our Controlling Shareholders" in this prospectus.

Pursuant to Rule 5.01B(2) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of our total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus shall include the full text of valuation report for such property interest. Pursuant to Chapter 5 of the Listing Rules, this prospectus is not required to include valuations of our properties.

EMPLOYEES

As of the Latest Practicable Date, we employed 558 employees in total. All of our employees are located in the PRC. The table below sets forth our number of employees by function as of the Latest Practicable Date:

Functions	Number of employees as of the Latest Practicable Date	% of total
Production	430	77.1
Maintenance	10	1.8
Quality control	35	6.3
Sales and marketing	17	3.0
Procurement	4	0.7
Finance	10	1.8
Warehouse	18	3.2
Administrative and legal	16	2.9
Design and development	9	1.6
Logistics	9	1.6
Total	**558**	**100.0**

We entered into employment contracts with our employees in accordance with relevant PRC labor law. During the Track Record Period, we did not engage any third-party human resource agencies.

Our staff costs were approximately RMB48.7 million, RMB44.2 million, RMB52.4 million and RMB16.9 million for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. We are required by PRC laws and regulations to contribute towards various employee benefits plans, including social insurance and housing provident funds. During the Track Record Period, we had not strictly complied with the PRC laws and regulations governing contributions to social insurance and housing provident funds. For more details, please refer to "— Regulatory Compliance and Legal Proceedings — Non-compliance in relation to employee benefit" in this section of the prospectus.

We place significant emphasis on employee trainings and development. For more details, please refer to "— Environmental, Social and Governance" in this section of the prospectus.

We do not adopt a labor union for our employees in the PRC. As of the Latest Practicable Date, we had not experienced any material problems with our employees or disruptions to our operations due to labor disputes, nor had we experienced any difficulties in the recruitment and retention of experienced staff.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a comprehensive risk management and internal control process through which we address risks associated with every aspect of our manufacturing process. We have put in place a set of operational risk analysis and response measures so as to achieve the risk aversion, risk reduction and risk response by properly identifying, categorizing and analyzing various risks.

Each department of our Company is responsible for compiling their own risk reports based on their specific considerations on various factors such as legal compliance, culture, technology, competition, and market and economic condition. We will periodically review the risks reports submitted by various departments, follow up on the implementation and evaluate the effectiveness of the responses taken to address those risks. In particular, we have adopted the following measures to mitigate the risks on bribery and corruption:

- a policy relating to anti-bribery and anti-corruption was issued by us in 2019. Our administrative department is responsible for monitoring, accepting escalation, processing investigation and reporting of incompliance behavior including bribery and corruption;

- a whistle-blower mechanism was set up by us, including report channels (hotline and mailbox), investigation procedures and responding to detected problems; and

- compliance training is provided to all employees including new employees.

We have adopted, or expected to adopt, a series of changes in our internal control policies, programs and procedures to strengthen our risk management and internal control capability and prevent non-compliance event from happening. These measures include:

- the engagement of an independent internal control consultant who performed a review on our internal controls over financial reporting in December 2019 and a follow-up review in February 2020. No material internal control deficiencies were identified in the process of the internal control reviews. The minor issues identified by the internal control consultant were remedied by us;

- the engagement of external legal advisor to facilitate compliance with the relevant requirements under the Listing Rules after Listing;

- the regular training provided by external legal advisor to our Directors and senior management after Listing on the subject of compliance of relevant Listing Rules requirements and applicable PRC laws and regulations; and

- the establishment of our Audit Committee which comprised of three independent non-executive Directors to oversee our risk management and internal control systems, and review the financial statements of our Company from the perspective of compliance with applicable rules and regulations.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to various production safety laws and regulations in the PRC. We have implemented various safety guidelines and measures to ensure that we have a safe operation of our production which can prevent injuries to our employees. For more details, please refer to "Environmental, Social and Governance" in this section of the prospectus.

As advised by our PRC Legal Advisors, we are in compliance with all the applicable laws regarding workplace safety in all material respects and have not had any incidents or complaints which would adversely affect our business operation and financial condition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance

We are committed to promote corporate social responsibility and sustainable development and integrate them into our business operations. Our Directors believe that other than being responsible for the interests of our Shareholders and maximizing profits, our Company must also assume responsibility for the society in order to achieve a cohesive and sustainable relationship between our Company, the economy and the society. We are committed to comply with environmental, social and governance ("**ESG**") reporting requirements upon Listing. Accordingly, we have established an ESG policy which outlined, among others, (i) the appropriate risk governance on ESG matters; (ii) ESG risk management and monitoring; and (iii) the identification of key performance indicators ("**KPIs**"), the relevant measurements and mitigating measures. We understand the supervisory responsibility of the Board on ESG matters and have assigned Mr. Ying Yonghui, one of our executive Directors to be responsible for strengthening our awareness of ESG matters, especially in the identification of ESG-related risks and establishing appropriate responses to such risks.

Pursuant to the ESG policy, our senior management will manage and implement ESG matters under the leadership of the Board. We have established an environmental protection leadership group comprised of the heads of each of our major operating departments including the administrative department and safety department, and supervisors for our major manufacturing phases including the casting phase, machining phase, painting phase and packaging phase. Each department heads or supervisors of the manufacturing phase will evaluate and manage the risks related to ESG matters based on their dedicated professional and working fields.

Potential impact of ESG-related risks

We have conducted a comprehensive review of our business to identify the ESG-related risks affecting our business and operation and identified the short, medium and long-term impact of such risks on our business, strategic and financial performance. We have identified areas of primary concern which are critical to our operation, in particular occupational health and safety, and assessed the potential impact of such area of risks and our measures to mitigate the potential impact associated with such risk:

- ***Occupational health and safety:*** we place a strong emphasis on maintaining the physical and mental well-being of our employees and conduct annual occupational site inspections. Based on the annual physical examination reports of employees, we adjust our employees' on-site time to avoid long-term occupational injuries that may cause irreparable physical and mental health hazards to our employees. We have formulated the "Occupational Health and Safety Management Procedures" to detect occupational hazards in workplaces every year and arrange our employees to undergo occupational disease examinations every year. We have established a safety leadership team and established an occupational health and safety management system. Based on the occupational health management system, we have formulated occupational health and safety protection standards that are tailored to the conditions of each manufacturing phase, and tested high-risk processes in the workplace. During the Track Record period, we arranged physical examinations of occupational disease for our employees regularly and none of our employees were diagnosed of any occupational disease. We further conducted safety protection training for employees, warning them against occupational health hazards including powder-related explosions, extreme temperatures, noise, and xylene. During the Track Record period, we provided occupational health and safety training to all of our employees on a yearly basis.

  During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

ESG matters in relation to the production and use of our products

We are also aware of the ESG matters specifically related to the production and use of our products.

Production and manufacturing process

In terms of our production techniques, smelting, casting and heat treatment phases are in high temperature environments or potentially present extreme temperature risks. Machining phase may generate noise and painting phase may generate dust. Therefore, safety is of our top priority during the production and manufacturing process. We carry out safety management from four aspects: organizational construction, safety training, personal protective equipment ("**PPE**") supplies guarantee and regular inspection.

(i) Organizational construction

We have set up a safety leadership team, headed by our general manager, with the vice general manager and the head of the safety department as deputy heads, and more than 10 other experienced personnel as safety officers.

(ii) Safety training

In the production workshop, the shift leader organizes a 15 to 30-minute safety training session before each shift (i.e. we provide approximately 94 hours of shift training each year) to strengthen employees' awareness of production safety. The workshop, in conjunction with the technical and quality departments, provides regular training on operations for 1.5-2 hours every month (i.e. approximately 21 hours of special training on operations each year) to strengthen employees' production and operation skills. External lecturers are engaged to conduct first aid training, from time to time, on the characteristics of risks and possible injuries in different production phases, to improve employees' self-rescue capability.

(iii) Personal protective equipment supplies guarantee

We provide PPE to employees based on the risks and possible injuries in different production phases with free of charge. We also post instructions on how to wear PPE in a conspicuous place before entering risk areas to remind and instruct the correct wearing methods.

(iv) Regular inspection

We organize a safety inspection team of 2-3 members every day to inspect fire-fighting safety, environmental safety and production safety in the operation site to ensure that relevant safety measures are properly implemented.

Usage of Product

As our product, aluminum alloy automobile wheel, is a key component of automobiles, the safety and the quality of our product are put in priority. Therefore, we conduct quality inspection and testing before each batch of products leaves the factory. We have established stringent and comprehensive quality control management system and implemented detailed quality control measures in each major phase of our manufacturing processes.

Despite our scientific and strict quality control, it is still impossible to avoid product returns after delivery. The reason for return is usually due to size issues or surface quality issues (e.g. insufficient finish). Due to the particularity of the materials used in our products, the returned goods can be recycled. Therefore, while properly handling customer's needs, we conduct recycling on basis of regular metal matching tests on the materials used in our products to save resources and reduce costs as much as possible.

If there are any customer complaints about the products sold, they will be received and recorded by the sales department, of which quality-related complaints will be forwarded to the quality control department for quality analysis. If they are indeed quality problems, the quality control department will work with the technical department and the production department to improve the production process to continuously improve product quality and customer satisfaction.

As the coating on the wheel surface accelerates oxidation under harsh climatic or geographical conditions, in order to reduce the rate of customer complaints, we take the initiative to use different paint formulations, depending on the characteristics of end-user's region, and to adjust the length of the salt spray test in a targeted manner to ensure that those wheels sold to areas with high air salinity levels also maintain a certain service life.

Air pollutants and greenhouse gas emissions

Our emissions from operation primarily include air pollutants emissions and greenhouse gas emissions. Set forth below are major KPIs of our air pollutants and greenhouse gas emissions during the Track Record Period:

- ***Air pollutants emission:*** during our production process, sulfur dioxide, nitrogen oxides and volatile organic compounds will be emitted during the smelting and paint solidification processes respectively.

  There are seven chimneys in operation in our production area, but none of them have reached the lower limit for installing online monitoring system required by the local authority. Hence, we have not installed any online monitoring equipment. Instead, we check our emission density and exhaust air volume data, which are conducted monthly by a qualified third party, following the rules by local authority. The data are directly uploaded by the third party to the regulatory official "National Emission Permit Management Information Platform", from which we are regularly informed that emissions do not exceed the standard. We have applied and obtained an emission permit for exhaust gas from 2020 to 2024 from the local regulatory authority, pursuant to which our emission of sulfur dioxide, nitrogen oxides and volatile organic compounds should not exceed 1.68 tons, 16.48 tons and 0.812 tons per year, respectively. During the Track Record Period, our air pollutant emissions are shown as below:

	Year ended December 31,			**Five months ended May 31,**
	2019	**2020**	**2021**	**2022**
	(tons)	(tons)	(tons)	(tons)
Sulfur dioxide	0.10352 (*Note 1*)	0.10532	0.30245	0.02862
Nitrogen oxides	3.93676 (*Note 1*)	4.00511	3.10820	0.62011
Volatile organic compounds	(*Note 2*)	(*Note 2*)	0.66462	0.16945 (*Note 3*)
Particulate matter (*Note 4*)	0.31673 (*Note 1*)	0.32223	0.56069	0.11663

Notes:

(1) Prior to 2020, our emissions were measured together with Buyang PRC and no separate data was available. Based on our same production technique and the fact that there was no material renovation or alteration in respect of our major production equipment and air pollutant emissions pretreatment facilities between 2019 and 2020, our Directors are of the view that there is a linear relationship between the weight of the metal (mainly aluminum alloy ingots) put into production and our air pollutant emissions. Accordingly, our air pollutant emissions in 2019 are derived from dividing the air pollutant emissions in 2020 by the weight of aluminum alloy ingots put into our production in 2020, multiplied by the weight of aluminum alloy ingots put into our production in 2019.

(2) Volatile organic compounds have been included in the trading management of emission rights since 2021. Prior to 2021, no accurate emission data of volatile organic compounds of our Group was reported to the regulatory official.

(3) In October 2021, new environmental protection equipment was put into operation, which greatly reduced air pollutants emissions.

(4) Particulate matter has not been included in the management of emission rights and therefore was not involved in the aforementioned emission allowances.

We expect to adhere to our emission permit and limit our air pollutants emission in the next three years. We will closely monitor the impact of our future expansion plans and prioritize the use of commercially viable equipment that are more environmental friendly. We will engage an independent third party to conduct on-site emission inspection and assist in our application for additional emission rights and permits based on our estimated emissions level which is expected to increase in view of planned expansion in our production capacity. The relevant evaluation report on the expansion plans should be prepared in order to ensure compliance with relevant environmental protection requirements.

In addition, dust is generated during our painting process, so we are equipped with dust removal and collection devices, which will be recycled by the original manufacturer or a qualified third party. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the amount of dust we disposed of were 6.00 tons, 6.50 tons, 5.70 tons, and 3.60 tons, respectively.

- ***Greenhouse gas emissions:*** we operate in the industrial manufacturing industry, and our greenhouse gas emissions follow the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Other Industrial Enterprises (Trial)" (工業其他行業企業溫室氣體排放核算方法與報告指南(試行)) (the "**Greenhouse Gas Emission Guideline**") issued by National Development and Reform Commission. Pursuant to the Greenhouse Gas Emission Guideline, greenhouse gas emissions are primarily categorized into two scope of emissions: (i) direct emissions generated by conducting the ordinary course of business, such as the use of natural gas, falls under Scope 1; and (ii) indirect emissions caused by internal consumption of purchased or acquired electricity, heat, refrigeration and steam falls under Scope 2. During the Track Record Period, we generated approximately 11,912 tons, 9,836 tons, 11,345 tons and 3,034 tons of carbon dioxide equivalent greenhouse gas under Scope 1 for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, and approximately 7,895 tons, 7,845 tons, 8,097 tons and 2,348 tons of carbon dioxide equivalent greenhouse gas under Scope 2 for the same periods, respectively.

  We expect to gradually limit our greenhouse gas emissions in the near future. We will continue to implement energy-saving and emission-reduction measures, explore potential reduction in emission through technological advancement and strive to reduce the total amount of greenhouse gas emissions in order to minimize the risks associated with climate policies and legal risks.

Wastewater

Pollutants generated from our operations also include wastewater. The terminal discharge outlet of our production wastewater has been included in the online monitoring of the local regulatory authority, together with Buyang PRC. Our wastewater discharged for the year ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022 were 2,155 tons, 3,354 tons, 2,949 tons and 1,391 tons, respectively , accounted for 2.7%, 5.3%, 4.1% and 4.0% of our fresh water consumption. The terminal discharge outlet is used jointly with Buyang PRC, and therefore we previously did not measure the amount of wastewater discharged by our Group separately from Buyang PRC. The aforementioned wastewater discharged from our Group is derived from dividing our water consumption by the total water consumption of our operation and Buyang PRC, multiplied by the total wastewater discharged from our Group and Buyang PRC. Overall, our operations do not heavily depend on water resources. For details, please refer to the paragraph headed "Environmental, Social and Governance — Energy and resource consumption" in this section of the prospectus.

Solid wastes

Our operations generate hazardous and non-hazardous wastes. The aluminum slag generated in our casting process was included in the National Hazardous Waste List since 2021. According to regulatory requirements, we have been managing it as hazardous waste since then and disposing it to a qualified third party (and regularly check whether the qualification of the third party is still valid). Relevant transfers and disposals are recorded in the transfer sheets and are also reflected in the "National Solid Waste and Chemicals Management Information System". All non-hazardous wastes are transported to the dedicated garbage room in the park for sorting, after which collected by the local sanitation bureau, with a certificate of the amount collected issued. However, as the dedicated garbage room is shared with the Buyang PRC, it is difficult to distinguish the quantity of our non-hazardous waste.

Energy and resource consumption

Our primary resource consumption in our production process includes power usage, natural gas consumption and water consumption. Set forth below are our major KPIs in relation to energy and resource consumption during the Track Record Period and relevant metrics, targets and measures taken by us:

	Year ended December 31,			Five months ended May 31,
	2019	**2020**	**2021**	**2022**
Power consumption (MWh)	11,200	11,200	11,500	3,400
Natural gas consumption (cubic meters)	5,500,000	4,500,000	5,200,000	1,400,000
Water consumption (cubic meters)	80,400	62,600	72,300	31,200

We target to reduce our power and natural gas consumption by adopting heat recycling in our casting and smelting phase. In particular, our furnaces are recycling and using heat storage systems instead of using air compressors, which could reduce our consumption of power and natural gas. We also aim to reduce the natural gas used in our painting phase by recycling the water used in our steam heating tank. We also intend to further limit our water consumption and have set a target of not exceeding 71,847 cubic meters of water usage for the year ending December 31, 2022 in order to avoid the increase in water consumption cost.

We will continue to explore potential energy-saving solutions within our production process, strive to reduce the use of energy and resources, and improve the efficiency of energy and resource usage. We will continue to implement the responsibility for energy conservation, improve the comprehensive utilization of resources and continuously improve the staff's awareness of environmental protection and resource conservation through publicity and training.

INSURANCE

As of the Latest Practicable Date, we maintained applicable social insurance in the PRC, export credit insurance and product liability insurance. Our Directors are of the view that our insurance coverage is sufficient and adequate and is in line with customary industry practices.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims.

ENVIRONMENTAL COMPLIANCE

Our operations are subject to the current environmental protection laws and regulations promulgated by the PRC government. These include laws regulating air emissions, water discharges, and hazardous materials and waste management. For more details, please refer to "Regulatory Overview — 4. Environmental Protection Regulation" in this prospectus.

We are committed to minimize the effect of pollution as a result of our operation and we have installed environmental protection equipment for our manufacturing process. For more details, please refer to "Environmental, Social and Governance" in this section of the prospectus. We believe that our environmental protection measures are effective in reducing the negative environmental impact and bringing us in compliance with the current PRC environmental protection laws and regulations.

There is no assurance that the relevant environmental laws and regulations will remain unchanged. If the PRC government imposes more stringent environmental protection laws and regulations, we may need to spend additional capital to upgrade our system to remain in compliance or our manufacturing operation may be interrupted. For more details, please refer to "Risk Factors — We are subject to occupational health and safety and environmental regulations and may be exposed to pertinent litigation or other liabilities" in this prospectus.

As advised by our PRC Legal Advisors, save as disclosed in "— Regulatory Compliance and Legal Proceedings — Non-compliance in relation to environmental impact assessment" in this section of the prospectus, we had complied with all PRC laws and regulations in relation to environmental protection during the Track Record Period and up to the Latest Practicable Date.

MATERIAL LICENCES, PERMITS AND CERTIFICATES

Our PRC Legal Advisors have confirmed that we have obtained all licenses, permits, approvals and certificates necessary to conduct our business operation in all material respects.

The following table sets for the details of our material licenses, permits and certificates as of the Latest Practicable Date:

Certificate/License/Permit	Issuing / Registration authority	Holder	Date of first issue	Date of latest issue	Duration/ Expiration date
Registration Receipt of Consignees and Consignors of Import or Export Goods from the Customs* (海關進出口貨物收發貨人備案回執)	Jinhua Customs Office (Yongkang Branch) of the People's Republic of China* (中華人民共和國金華海關駐永康辦事處)	Buyang Wheel	September 27, 2007	Same as the date of first issue	Long term(Note 1)
Archival Filing and Registration Form of Foreign Trade Operators* (對外貿易經營者備案登記表)	Ministry of Commerce of the People's Republic of China	Buyang Wheel	September 24, 2007	February 20, 2019	—(Note 2)

Certificate/License/Permit	Issuing / Registration authority	Holder	Date of first issue	Date of latest issue	Duration/ Expiration date
Radiation Safety Permit* (輻射安全許可證)	Department of Environmental Protection of Zhejiang Province* (浙江省環境保護廳)	Buyang Wheel	May 2, 2013	May 2, 2018	May 1, 2023
Registration Certificate of Use of Special Equipment*(特種設備使用登記證)	Yongkang City Market Supervision and Management Bureau* (永康市市場監督管理局)	Buyang Wheel	May 26, 2020	Same as the date of first issue	May 10, 2023 (date of next inspection)
Certification of Work Safety Standardization Level III Corporate (Mechanics)* (安全生產標準化三級企業(機械))	Yongkang Emergency Management Bureau* (永康市應急管理局)	Buyang Wheel	November 14, 2013	March 6, 2020	March 2023(Note 3)

Notes:

(1) The registration receipt will remain effective unless otherwise stipulated by the customs authority.

(2) The archival filing and registration form will remain effective unless revoked by the relevant authority.

(3) As at the Latest Practicable Date, the certification is under renewal procedures.

* *The English translation is for identification purpose only.*

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period, we were not involved in any litigation, arbitration or administrative proceeding that, individually or in aggregate, could have had a material adverse effect on our business operation and financial condition. As of the Latest Practicable Date, there was no existing or threatening litigation, arbitration or administrative proceeding that is, individually or in aggregate, of material importance against our Group known to our Directors.

During the Track Record Period, we had the following non-compliances in relation to PRC laws and regulations:

Non-compliance in relation to employee benefit

Nature of the non-compliance

During the Track Record Period, Buyang Wheel did not register for and/or fully contribute to certain social insurance fund and housing provident fund for its employees pursuant to the relevant PRC laws and regulations governing PRC employee benefits. We estimated that the shortfall in the amount of social insurance fund and housing provident fund contributions for each of the three years ended December 31, 2021 and the five months ended May 31, 2022 were approximately RMB2.4 million, nil, nil and nil, respectively, and we have made provisions for the relevant shortfall.

Reasons for the non-compliance

The reasons for such non-compliance are primarily that (i) some of the employees from rural areas have participated in the "new rural social pension insurance" and "new rural cooperative medical insurance" and were reluctant to participate in the social insurance fund; (ii) some of the employees are reluctant to contribute to the social insurance fund and housing provident fund; and (iii) a lack of awareness and sufficient knowledge of the relevant laws and regulations pertaining to contribution of social insurance fund and housing provident fund by our administrative staff.

Legal consequences and potential maximum and other financial liabilities

We are advised by our PRC Legal Advisors that such non-compliance may subject us to a number of potential penalties by the competent authorities, including:

- penalty for failure to make timely payment of social insurance contributions in full: the relevant PRC authorities may order us to pay the outstanding contributions within a stipulated deadline and impose a late payment fee at the rate of 0.05% per day from the date on which the contributions became due; if we fail to make such overdue contributions within the stipulated period, the relevant PRC authorities may impose a fine equivalent to one to three times of the overdue amount;

- penalty for failure to complete housing provident fund registration or open a housing provident fund account for employees: the relevant PRC authorities may order us to complete registration and open a housing provident fund account for employees within a stipulated deadline; if we fail to do so within the stipulated period, we may be subject to a fine from RMB10,000 to RMB50,000; and

- failure to make housing provident fund contributions on time or in full: the relevant PRC authorities may order us to pay the outstanding contributions within a stipulated deadline; if we fail to do so, an application for compulsory enforcement against us can be made to the relevant PRC Court.

Remedial measures and the latest status

We have enhanced our internal control policies on managing social insurance fund and housing provident fund for our employees, including (i) contributing to social insurance fund and housing provident fund for our employees pursuant to relevant regulations and regulatory policies currently in effect since January 1, 2020; and (ii) designating experienced human resources staff to process matters relating to social insurance fund and housing provident fund including all filing of documents, payment of contributions and updating the relevant government policies and regulations to our internal guidelines.

Meanwhile, we have adopted various additional remedial measures in relation to the non-compliance, including (i) seeking confirmation from the relevant local government authorities; (ii) securing an indemnification undertaking from Mr. Xu, our Controlling Shareholder; and (iii) making provisions for the potential liabilities on the non-compliance.

Confirmation from the relevant local government authorities

We have obtained written confirmations from the local social insurance fund and housing provident fund authorities confirming that:

- considering the local economic and development level, the standards and practice of payments of social insurance fund and housing provident fund undertaken by Buyang Wheel since January 1, 2020 was in compliance with the relevant regulations and regulatory policies currently in effect;

- Buyang Wheel had not been penalized, fined, investigated or held liable with respect to social insurance fund and housing provident fund contribution during the Track Record Period and they have not received any complaint or report regarding these matters; and

- in respect of any outstanding social insurance fund and housing provident fund, the relevant local government authorities would not demand remedial payment, late payment fees or impose any administrative penalty on Buyang Wheel.

We are advised by our PRC Legal Advisors that the local social insurance fund and housing provident fund authorities issuing the confirmations are the competent authorities to confirm (i) the matters in relation to Buyang Wheel's social insurance fund and housing provident fund contribution; and (ii) the relevant applicable policies.

Based on the confirmations issued by the relevant local government authorities, our PRC Legal Advisors confirmed that (i) the possibility of Buyang Wheel being penalized, ordered to pay the outstanding contribution or late payment fees, or fined by the relevant competent authorities for the above mentioned non-compliance is remote; and (ii) such non-compliance will not have any material adverse impact on our business operations and financial condition.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not received any employees' complaint about or request for the social insurance fund and housing provident fund contributions; (ii) we had not received any order from the relevant PRC authorities requesting the payment of outstanding social insurance fund and housing provident fund contributions and corresponding late payment fees; and (iii) no penalties for violation of the PRC laws and regulations in relation to social insurance fund and housing provident fund contribution had been imposed on us.

Indemnification undertaking from our Controlling Shareholder

Mr. Xu, our Controlling Shareholder, has undertaken to indemnify our Group in full (including all associated costs and expenses) in the event that Buyang Wheel is demanded to pay the outstanding contributions and late payment fees or subject to fine imposed by the relevant authorities.

Provisions on shortfall of contribution

We have made provisions in total amount of approximately RMB2.4 million, nil, nil and nil for the shortfall of contribution to social insurance fund and housing provident fund for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Our Directors are of the view that the provisions for social insurance fund and housing provident fund are sufficient and no further provisions is required to be made, given that (i) written confirmations from relevant local social insurance and housing provident fund authorities have been obtained as stated above; (ii) the indemnity from our Controlling Shareholders in respect of the non-compliance; (iii) as of the Latest Practicable Date, we had not received any employees' complaint about or request for the social insurance fund and housing provident fund contributions; (iv) we had not received any order from the relevant PRC authorities requesting the payment of outstanding social insurance fund and housing provident fund contributions and corresponding late payment fees. Our Directors confirm that the management of our Company will ensure that prompt payment for under-contributions to the social insurance fund and housing provident fund within the prescribed time limit will be made if we are demanded to do so.

Based on the above and as advised by our PRC Legal Advisors, our Directors believe that the above non-compliance will not have any material adverse impact on our business operations and financial condition.

Non-compliance in relation to environmental impact assessment

Background of the non-compliance

In anticipation of the plan to undertake the construction project of the original production facility with annual production capacity of 500,000 units of aluminum alloy automobile wheel, Buyang PRC, the legal entity previously undertaking the automobile wheel manufacturing business of our Group as disclosed in "History, Reorganization and Corporate Structure" in this prospectus, filed an environmental impact report for the construction project to Jinhua Environmental Protection Bureau* (金華市環境保護局) (the "**JEPB**"), and obtained the environmental impact assessment approval from JEPB for the construction project in October 2005.

To further develop and expand our business, we conducted technological upgrade on our production facilities and expanded its production capacity between 2011 and 2012 by addition and replacement of machineries (the "**Technological Upgrade Project**").

Pursuant to the *Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》)* (the "**PRC Environmental Impact Assessment Law**"*)*, if there is any material change to, among others, the technology of production and/or scale of production of the construction project under the approved environmental impact assessment, the constructing entity shall resubmit the environmental impact assessment for approval.

However, Buyang Wheel did not resubmit an environmental impact assessment report for the Technological Upgrade Project for approval by the relevant authority as required under the PRC Environmental Impact Assessment Law (the "**EIA Non-compliance**").

Legal consequences

Pursuant to the PRC Environmental Impact Assessment Law then in force which is applicable to the Technological Upgrade Project, if the constructing entity commences construction prior to obtaining environmental impact assessment approval, the competent authority may order suspension of construction and specify a time limit to comply with the relevant procedures; and if the constructing entity did not comply with the relevant procedures within the specified time limit, the competent authority may impose (i) a fine of more than RMB50,000 but less than RMB200,000 on the constructing entity and (ii) administrative penalty on supervisors and personnel of the constructing entity who are directly responsible.

As advised by our PRC Legal Advisors, pursuant to the Opinions of Ministry of Environmental Protection on Questions on Application of Laws against "Unauthorised Construction" of Construction Projects (《環境保護部關於建設項目"未批先建"違法行為法律適用問題的意見》), the limitation period for penalty on failure to resubmit environmental impact assessment report for approval upon material change to construction project is two years from the date of completion of construction (the "**Limitation Period**"). As the Technological Upgrade Project was completed in May 2012, Buyang Wheel is no longer liable to any penalty in relation to the EIA Non-compliance.

In addition, according to the *List of Circumstances of No-Penalty for Immaterial Non-Compliance of Ecology and Environmental Regulations of Zhejiang Province (Trial)* (Zhe Huan Fa [2020] No. 14) (《浙江省生態環境輕微違法行為不予處罰清單（試行）》（浙環發[2020]14號）) (the "**List of No-Penalty for Immaterial Non-Compliance**") promulgated by the Department of Ecology and Environment of Zhejiang Province (浙江省生態環境廳) and General Office of Administrative Enforcement of Zhejiang Province (浙江省綜合行政執法指導辦公室), no penalties shall be imposed in cases where the constructing entity commences construction work without obtaining environmental impact assessment approval, if it fulfills the following conditions: (i) the project is one which an environmental impact assessment report is required under the applicable regulations; (ii) first violation; and (iii) the pollution was proactively rectified or undone.

As advised by our PRC Legal Advisors and confirmed by JMBEE, our EIA Non-compliance falls within the scope of the List of No-Penalty for Immaterial Non-Compliance as (i) the EIA Non-compliance is the first violation of Buyang Wheel; and (ii) no pollution in excess of the initial approval by JEPB has been caused.

Based on the above, we have obtained written confirmation of JMBEE that they will not impose any penalty on Buyang Wheel as a result of the EIA Non-compliance.

Based on (i) the maximum penalty (without taking into account of the implication of the List of No-Penalty for Immaterial Non-Compliance and the Limitation Period), (ii) the fact that the EIA Non-compliance falls within the scope of the List of No-Penalty for Immaterial Non-Compliance, (iii) the Limitation Period and (iv) the confirmations obtained from the competent authorities, our Directors are of the view that the EIA Non-compliance does not have any material financial or operational impact on our Group.

Reasons for the non-compliance

As the Technological Upgrade Project mainly only involves installation of new machineries without any substantial structural construction works, the head of production department of Buyang Wheel was in-charge of implementation of the Technological Upgrade Project due to his expertise in the production process.

However, as the head of production department of Buyang Wheel was not familiar with the relevant PRC laws and regulations, he was not aware that Buyang Wheel was required to resubmit an environmental impact assessment for approval in relation to the Technological Upgrade Project.

Remedial measures and the latest status

We have adopted various remedial measures to rectify the non-compliance, including (i) obtained a new environmental impact assessment approval in relation to the Technological Upgrade Project; (ii) obtained confirmation from the relevant local government authority in relation to the EIA Non-compliance; (iii) secured an indemnification undertaking from Mr. Xu, our Controlling Shareholder; and (iv) enhanced our internal control policies.

New approval

To rectify the EIA Non-compliance, we submitted an environmental impact assessment report for our Technological Upgrade Project and obtained the relevant environmental impact assessment approval from JMBEE in January 2020 (the "**New Approval**"). Our Group has incurred an aggregate expense of RMB45,000, which mainly involves consultation fees, for obtaining the New Approval.

The New Approval was obtained from JMBEE instead of the JEPB since the Ministry of Ecology and Environment (生態環境部) was formed to take over the functions of the Ministry of Environmental Protection pursuant to the Decision of the 13th National People's Congress First Meeting on Reformation of Organizations of the State Council (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) in 2018 and JMBEE is currently the local office of the Ministry of Ecology and Environment in Jinhua and Yongkang city, where our operations situate, is a county-level city under Jinhua.

Confirmation from the relevant authority

We obtained written confirmation from JMBEE being the competent authority supervising environmental related matters of Buyang Wheel as advised by our PRC Legal Advisors, in March 2021, which confirmed that, among other things:

- since its incorporation up to the date of the confirmation, the discharge of pollutants by Buyang Wheel during its production and operation activities complied with the national and local standards and in particular, the types and quantities of emission by Buyang Wheel has remained to be within the range stipulated in the initial approval from JEPB even after the Technological Upgrade Project;

- as the time lapsed from completion of the Technological Upgrade Project has exceeded the Limitation Period, the JMBEE is not in a position to impose any penalty on Buyang Wheel as result of the EIA Non-compliance; and

- in addition, as the EIA Non-compliance falls within the scope of the List of No-Penalty for Immaterial Non-Compliance, the JMBEE will not impose any penalty on Buyang Wheel as result of the EIA Non-compliance.

Indemnification undertaking from our Controlling Shareholder

Mr. Xu, our Controlling Shareholder, has undertaken to indemnify our Group in full (including all associated costs and expenses) in the event that Buyang Wheel is subject to any monetary penalty imposed by the relevant environmental authorities in connection with the EIA Non-compliance.

Based on the above, our PRC Legal Advisors are of the view that (i) the possibility of Buyang Wheel being penalized by the relevant competent authorities for the EIA Non-compliance is remote; and (ii) such non-compliance will not have any material adverse impact on our business operations and financial condition.

Enhanced internal control policies

We have updated our policy on procurement and production planning to ensure that going forward, (i) we will evaluate and seek legal advice if necessary prior to procurement of machineries and (ii) our head of production department will monitor any plan to change our production capacity or technology of production. Necessary regulatory approvals, including but not limited to environmental impact assessment approval, must be obtained prior to procurement of new machineries or when there is a material change to our production capacity or technology of production.

For further details on the risks in relation to compliance with environmental regulations, please refer to "Risk Factors — Risks related to our business and industry — We are subject to occupational health and safety and environmental regulations and may be exposed to pertinent litigation or other liabilities" in this prospectus.

Views of our Directors and the Sole Sponsor

Our Directors are of the view, and the Sole Sponsor concurs that the EIA Non-compliance does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules as:

(a) the Technological Upgrade Project was in-charged by the head of production department of Buyang Wheel and the non-compliance incident was mainly due to lack of knowledge and inadvertent oversight and did not involve any intentional act, dishonesty, corruption or fraudulent act by him or our Directors, and, accordingly, did not raise any question as to the integrity of our Directors;

(b) all the Directors were not involved in implementing the Technological Upgrade Project as the Technological Upgrade Project, which mainly involved procurement and installation of machineries, was considered to be procedural and has been assigned to be handled by the department head of the production department due to his expertise in production;

(c) our Directors have promptly rectified the EIA Non-compliance upon being notified by our PRC Legal Advisors by conducting environmental impact assessment in relation to the Technological Upgrade Project and have obtained the New Approval; and

(d) JMBEE have confirmed that the EIA Non-compliance falls within the category of immaterial breach under the List of No-Penalty for Immaterial Non-Compliance and shall not be penalized.

Having considered the nature and reasons for the EIA Non-compliance and the internal control measures adopted by our Group, our Directors are of the view that our Group's internal control measure are adequate and effective to prevent recurrence of future non-compliance incidents, and the Sole Sponsor concurs with the view of our Directors.

Our Directors, as advised by our PRC Legal Advisors, confirm that as of the Latest Practicable Date, except as disclosed in the paragraph headed "Regulatory Compliance and Legal Proceedings" in this section of the prospectus, we had complied with relevant PRC laws in all material respects.