



# BUYANG INTERNATIONAL HOLDING INC 步陽國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2457

# Global Offering

Sole Sponsor



**中泰國際**  
ZHONGTAI INTERNATIONAL

Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner, Joint Lead Manager



**中泰國際**  
ZHONGTAI INTERNATIONAL

## IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



### Buyang International Holding Inc

步陽國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of International Placing Shares	: 225,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$0.60 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.001 per Share
Stock code	: 2457

Sole Sponsor



Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner, Joint Lead Manager



#### Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on or about Wednesday, December 7, 2022 and, in any event, not later than Friday, December 9, 2022. The Offer Price will be not more than HK\$0.60 per Offer Share and is currently expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, December 9, 2022 between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Global Coordinator if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. For more details, please refer to "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the U.S. Securities Acts. The Offer Shares are being offered, sold and delivered outside of the United States in offshore transactions in reliance on Regulation S.

November 29, 2022

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [bywheel.com](http://bywheel.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

---

## IMPORTANT

---

### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**Our Company has adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.**

**This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [bywheel.com](http://bywheel.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

Our Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

**If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.**

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

---

## IMPORTANT

---

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 5,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
5,000	3,030.23	70,000	42,423.29	500,000	303,023.55	7,000,000	4,242,329.70
10,000	6,060.47	80,000	48,483.77	600,000	363,628.26	8,000,000	4,848,376.80
15,000	9,090.70	90,000	54,544.24	700,000	424,232.97	9,000,000	5,454,423.90
20,000	12,120.94	100,000	60,604.71	800,000	484,837.68	10,000,000	6,060,471.00
25,000	15,151.18	150,000	90,907.07	900,000	545,442.39	12,500,000 <sup>(1)</sup>	7,575,588.75
30,000	18,181.42	200,000	121,209.42	1,000,000	606,047.10		
35,000	21,211.65	250,000	151,511.78	2,000,000	1,212,094.20		
40,000	24,241.89	300,000	181,814.13	3,000,000	1,818,141.30		
45,000	27,272.12	350,000	212,116.49	4,000,000	2,424,188.40		
50,000	30,302.36	400,000	242,418.84	5,000,000	3,030,235.50		
60,000	36,362.82	450,000	272,721.20	6,000,000	3,636,282.60		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

---

## EXPECTED TIMETABLE<sup>(NOTE 1)</sup>

---

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the respective websites of our Company at [bywheel.com](http://bywheel.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Hong Kong Public Offering commences from . . . . . 9:00 a.m. on Tuesday,  
November 29, 2022

Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the below ways<sup>(Note 2)</sup>:

- (1) the **IPO App**, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp) 11:30 a.m. on Wednesday,  
December 7, 2022
- (2) the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) . . . . .

Application lists open<sup>(Note 3)</sup> . . . . . 11:45 a.m. on Wednesday,  
December 7, 2022

Latest time for (a) completing payment for **HK eIPO White Form** applications by effecting internet by banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC<sup>(Note 4)</sup> . . . . . 12:00 noon on Wednesday,  
December 7, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(Note 3)</sup> . . . . . 12:00 noon on Wednesday,  
December 7, 2022

Expected Price Determination Date<sup>(Note 5)</sup> . . . . . Wednesday, December 7, 2022

Announcement of the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published at the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [bywheel.com](http://bywheel.com) on or before<sup>(Note 6 & 11)</sup> . . . . . Wednesday, December 14, 2022

Results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels, including:<sup>(Note 11)</sup>

- (1) in the announcement to be posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [bywheel.com](http://bywheel.com) from . . . . . Wednesday, December 14, 2022
- (2) from “IPO Results” function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a “search by ID” function from . . . . . 8:00 a.m. on Wednesday,  
December 14, 2022 to 12:00  
midnight on Tuesday,  
December 20, 2022

---

## EXPECTED TIMETABLE<sup>(NOTE 1)</sup>

---

(3) from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from . . . . . Wednesday, December 14, 2022 to Monday, December 19, 2022 (excluding Saturday, Sunday and public holiday in Hong Kong)

Despatch/collection of Share certificates in respect of wholly or partially successful applications under the Hong Kong Public Offering on or before<sup>(Notes 7, 8 & 11)</sup> . . . . . Wednesday, December 14, 2022

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications under the Hong Kong Public Offering on or before<sup>(Notes 9, 10 & 11)</sup> . . . . . Wednesday, December 14, 2022

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on<sup>(Note 11)</sup> . . . . . Thursday, December 15, 2022

The application for the Hong Kong Offer Shares will commence on Tuesday, November 29, 2022 through Wednesday, December 7, 2022, being longer than normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, December 14, 2022. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, December 15, 2022.

*Notes:*

- (1) All times refer to Hong Kong local time. Details of the structure and conditions of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at [bywheel.com](http://bywheel.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 7, 2022, the application lists will not open and close on that day. Further information is set out in the paragraph headed “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the application lists”. If the application lists do not open and close on Wednesday, December 7, 2022, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — 6. Applying through the **CCASS EIPO** service” in this prospectus for details.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, December 7, 2022 and, in any event, not later than Friday, December 9, 2022. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company by Friday, December 9, 2022, the Global Offering will not proceed and will lapse immediately.
- (6) None of the website or any information contained on that website forms part of this prospectus.

---

## EXPECTED TIMETABLE<sup>(NOTE 1)</sup>

---

- (7) Applicants who apply through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their application that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 14, 2022 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited. Applicants who have applied through the **CCASS EIPO** service may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant application. For further information, applicants should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/ collection of Share certificates and refund monies" in this prospectus.
- (8) Share certificates for the Hong Kong Offer Shares will become valid evidence of title at 8:00 a.m. on Thursday, December 15, 2022, provided that (i) the Hong Kong Public Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreement(s) has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates become valid evidence do so entirely at their own risk.
- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's identification document number provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Banks may require verification of an applicant's identification document number before cashing the refund cheque. Inaccurate completion of an applicant's identification document number may lead to delay in encashment of, or may invalidate, the refund cheque.
- Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant), by ordinary post at their own risk.
- (10) Applicants who apply for Hong Kong Offer Shares via the **HK eIPO White Form** service should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus.
- (11) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, November 29, 2022 to Thursday, December 15, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

Particulars of the structure and conditions of the Global Offering, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus. Details relating to how to apply for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

---

## CONTENTS

---

### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by Buyang International Holding Inc solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at [bywheel.com](http://bywheel.com), does not form part of this prospectus.*

	<u>Page</u>
EXPECTED TIMETABLE .....	i
CONTENTS .....	iv
SUMMARY .....	1
DEFINITIONS AND CONVENTIONS .....	16
FORWARD-LOOKING STATEMENTS .....	32
RISK FACTORS .....	34
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES .....	61
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING .....	64
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING .....	68
CORPORATE INFORMATION .....	75
INDUSTRY OVERVIEW .....	77
REGULATORY OVERVIEW .....	95
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE .....	116
BUSINESS .....	126
FINANCIAL INFORMATION .....	238

---

## CONTENTS

---

	<i>Page</i>
DIRECTORS AND SENIOR MANAGEMENT .....	293
SHARE CAPITAL .....	305
SUBSTANTIAL SHAREHOLDERS .....	308
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS .....	309
CONNECTED TRANSACTIONS .....	317
FUTURE PLANS AND USE OF PROCEEDS .....	321
CORNERSTONE INVESTOR .....	325
UNDERWRITING .....	330
STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING .....	340
HOW TO APPLY FOR HONG KONG OFFER SHARES .....	349
APPENDIX I — ACCOUNTANTS' REPORT .....	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION .....	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW .....	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION .....	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION .....	V-1

---

## SUMMARY

---

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you invest in Offer Shares.*

### 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. 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. For the years ended December 31, 2019 and 2020, our revenue decreased from approximately RMB374.0 million to approximately RMB362.2 million, 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 due to the restrictions on transportation to the port area. For the five months ended May 31, 2022, our revenue from the PRC and overseas markets were RMB59.6 million and RMB90.2 million, respectively, representing approximately 39.8% and 60.2% of our total revenue, respectively.

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.

During the Track Record Period, substantially all of our revenue is generated from the sale of our aluminum alloy automobile wheels to the aftermarket. 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. The total number of our customers decreased continuously from 306 in the year ended December 31, 2019 to 263 in the year ended December 31, 2020 and further to 201 in the year ended December 31, 2021 primarily 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 and retailer customers as we were unable to take up their orders. The total number of our customers decreased from 150 in the five months ended May 31, 2021 to 141 in the five months ended May 31, 2022 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 PRODUCTS

Our products comprise of a wide variety of aluminum alloy automobile wheels. 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. During the Track Record Period, we sold a total of approximately 19,900 distinct types of aluminum alloy automobile wheels. Our products are used by a wide range of automobiles from subcompact and compact cars to full-size SUV and pickup truck. For more details, please refer to “Business — Our Products” in this prospectus.

#### *Sales of aluminum alloy automobile wheel by size*

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

## SUMMARY

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

Note: Small, medium and large aluminum alloy automobile wheels refer to aluminum alloy automobile wheels with diameter of 12-16 inches, 17-20 inches and 21-24 inches, 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
<b>Total .....</b>	<b><u>1,218,512</u></b>	<b><u>100.0</u></b>	<b><u>1,045,212</u></b>	<b><u>100.0</u></b>	<b><u>1,139,868</u></b>	<b><u>100.0</u></b>	<b><u>454,604</u></b>	<b><u>100.0</u></b>	<b><u>340,200</u></b>	<b><u>100.0</u></b>

The total sales volume of our aluminum alloy automobile wheels dropped in 2020 mainly due to the adverse impact caused by the COVID-19 pandemic. Our total sales volume increased in 2021 as we experienced a strong recovery from the COVID-19 pandemic. However, due to the regional outbreak of COVID-19 in the PRC in early 2022, our sales volume dropped again for the five months ended May 31, 2022 as compared to the corresponding period in 2021.

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
<b>Average sales price of aluminum alloy automobile wheel . . . . .</b>	<b><u>298</u></b>	<b><u>339</u></b>	<b><u>377</u></b>	<b><u>344</u></b>	<b><u>431</u></b>

The average sales price of our aluminum alloy automobile wheels increased continuously throughout the Track Record Period primarily due to (i) the increase in the cost of aluminum alloy ingot which is our principal raw material; and (ii) our strategy of increasing the sales volume of medium and large-sized wheels while reducing the sales volume of small-sized wheels.

## SUMMARY

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

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

For further information, please refer to “Financial Information — Description of key consolidated statement of profit or loss and other comprehensive income line items” in this prospectus.

### Revenue by Geographic Market

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

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

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.

## SUMMARY

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

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

Note:

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

Further information is set out in “Financial Information — Description of key consolidated statement of profit or loss and other comprehensive income line items” in this prospectus.

### PRODUCTION AND UTILIZATION

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. After the Track Record Period and up to the Latest Practicable Date, the overall utilization rate of our manufacturing facility increased to 97.3%. For more details, please refer to “Business — Production — Production equipment and facility — Production capacity and utilization” in this prospectus.

---

## SUMMARY

---

### 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.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from the 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 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. During the Track Record Period, our top five customers, on average, have around six years of business relationship with us. For more details, please refer to “Business — Customers” in this prospectus.

### BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

During the Track Record Period, we made sales and/or deliveries of our Chinese-origin products 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. For more details, please refer to “Business — Business activities relating to Sanctioned Countries” in this prospectus.

In relation to Crimea, Iran and Syria which are countries/regions subject to comprehensive U.S. economic sanctions, from 2015 to March 6, 2020, we received 297 payments in an aggregate amount of approximately US\$14.5 million for U.S. dollar-denominated transactions 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. As advised by our International Sanctions Legal Advisors, such U.S. dollar-denominated transactions 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 Comprehensively Sanctioned Countries (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). After consulting with our International Sanctions Legal Advisors, we submitted an initial notification of VSD on April 8, 2020 to OFAC with regard to the U.S. dollar-denominated payments related to Crimea, Iran and Syria, and submitted a full VSD report to OFAC 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. For more details and our potential risk exposure, please refer to “Business — Business Activities relating to Sanctioned Countries” and “Risk Factors — Risks 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” in this prospectus.

---

## SUMMARY

---

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 because, for the Group's sales to the Relevant Regions (excluding Iran, Crimea and Syria) during the Track Record Period, (i) the Group has not engaged in Primary Sanctioned Activity as it had no business activities in a Comprehensively Sanctioned Country or (a) with; or (b) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Person; (ii) and the Group has not engaged in Secondary Sanctionable Activity because it had no business activities targeted by extra-territorial provisions of sanctions law or regulation in the Relevant Jurisdictions.

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. For more details, please refer to "Business — Business activities relating to Sanctioned Countries" in this prospectus.

### SALES AND MARKETING

During the Track Record Period, we sold our products to customers located in both 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.

From 2019 to 2021, we focused on increasing our sales to selected overseas markets through our active participation in various international industrial exhibition. 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. 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, representing approximately 74.8%, 72.6%, 66.2% and 60.2% of our total revenue for the same periods.

We maintain an internal list of reference prices for our products. 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. Fluctuation in the aluminum alloy ingots price is the primary factor affecting our product price as the aluminum alloy ingots accounts for over half of our cost of sales. Furthermore, when setting price for our products sold to overseas markets, the foreign exchange rate will also be considered. For more details, please refer to "Business — Sales and Distribution — Pricing and Payment Terms" in this prospectus.

### RAW MATERIALS AND SUPPLIERS

Our major suppliers during the Track Record Period were 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 supplier were approximately RMB179.1 million, RMB182.5 million, RMB244.0 million and RMB75.8 million, respectively, accounting for approximately 74.2%, 74.6%, 77.8% and 82.6% of our procurement cost for 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 more details, please refer to "Business — Suppliers" in this prospectus.

---

## SUMMARY

---

The principal raw materials we use for our production is aluminum alloy ingots. Our raw materials also include paints and packaging materials. During the Track Record Period, we were able to procure raw materials in quantities sufficient for our production need from our suppliers. For more details about our raw materials, please refer to “Business — Raw Materials” in this prospectus.

### OUR STRENGTHS

We believe that our success and our ability to capitalize on future growth opportunities are attributable to our following strengths:

- Aluminum alloy automobile wheel manufacturer with global market reach
- Extensive overseas and domestic markets that complement each other
- Strong and flexible design and production capability that cater to individualized customer needs
- Comprehensive and strict quality control
- Strong and stable relationships with our major customers
- Stable and experienced management team

### OUR BUSINESS STRATEGIES

We plan to strengthen and further expand our existing market position in both the PRC and overseas markets. Our principal strategies include the following:

- Expand our production capacity to enhance our market shares
- Improve our design and development capability
- Intensify our sales and marketing efforts in selected overseas markets and promote our own brand

### REGULATORY COMPLIANCE

During the Track Record Period, we failed to register for and/or fully contribute to certain social insurance fund and housing provident fund for Buyang Wheel’s employees. In addition, we failed to obtain the environmental impact assessment approval in respect of our technological upgrade project of our production facilities conducted between 2011 and 2012. For further details, please refer to “Business — Regulatory Compliance and Legal Proceedings” in this prospectus.

### SUMMARY OF FINANCIAL INFORMATION

The following is a summary of our consolidated financial information during the Track Record Period. We have derived the summary from our consolidated financial information set forth in the Accountants’ Report in Appendix I to this prospectus.

#### Highlights of consolidated statements of profit or loss and other comprehensive income

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

## SUMMARY

	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
<b>Revenue</b> .....	374,041	362,153	440,356	159,502	149,807
<b>Gross profit</b> .....	73,727	77,583	77,169	27,052	27,479
<b>Profit from operations</b> .....	62,623	45,181	49,795	13,260	21,897
<b>Net finance (costs)/income</b> .....	(1,910)	559	528	199	(44)
<b>Profit before taxation</b> .....	60,713	45,740	50,323	13,459	21,853
<b>Profit for the year/period</b> .....	46,096	34,706	37,663	10,039	16,382

### Non-HKFRS measures

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

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

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

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

Our adjusted profit for the year, which is a non-HKFRS measure, would decrease from RMB49.1 million in 2020 to RMB44.4 million in 2021, representing a decrease of 9.6%, which was primarily due to the increase in the procurement cost of aluminum alloy ingot.

Our revenue decreased from RMB374.0 million in 2019 to RMB362.2 million in 2020 primarily due to the adverse impact of the COVID-19 pandemic which affected some of our overseas market. Our revenue increased to RMB440.4 million in 2021, primarily as a result of our strong efforts in recovering customer demand in light of the adverse impact caused by the COVID-19 pandemic which had a negative impact on our results of operations for 2020. Our revenue decreased from RMB159.5 million in the five months ended May 31, 2021 to RMB149.8 million in the five months ended May 31, 2022, primarily as a result of 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.

## SUMMARY

Our gross profit increased slightly from RMB73.7 million in 2019 to RMB77.6 million in 2020 as a result of increase in our gross profit margin. Our gross profit remained stable between 2020 and 2021, and between the five months ended May 31, 2021 and 2022.

Our net profit decreased from RMB46.1 million in 2019 to RMB34.7 million in 2020 primarily due to (i) the increase in the listing expenses; (ii) the decrease in revenue as a result of the adverse impact caused by the COVID-19 pandemic; and (iii) other net loss as a result of the fluctuation of the exchange rate of U.S. dollar against the RMB. Our net profit increased from RMB34.7 million in 2020 to RMB37.7 million in 2021 primarily attributable to (i) the decrease in the listing expenses; and (ii) our increase of revenue as we experienced a strong recovery of our customer demand from the adverse impact caused by the COVID-19 pandemic, which were partially offset by the decrease in our profit margin caused by the increase in the price of aluminum alloy ingot. Our net profit increased from RMB10.0 million in the five months ended May 31, 2021 to RMB16.4 million in the five months ended May 31, 2022 as a result of (i) other net gain primarily attributable to the net exchange gain from translation of trade receivables and cash at bank denominated in USD into RMB due to the appreciation of USD against RMB in the first five months ended May 31, 2022; and (ii) the decrease in the listing expenses. For more details, please refer to “Financial Information — Description of key consolidated statement of profit or loss and other comprehensive income line items” in this prospectus.

### Highlights of consolidated statements of financial position

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Total non-current assets</b> .....	62,586	75,982	79,140	75,803
<b>Total non-current liabilities</b> .....	8,745	8,283	7,819	8,767
<b>Total current assets</b> .....	185,503	263,851	269,122	274,462
<b>Total current liabilities</b> .....	200,808	154,815	126,023	110,728
<b>Total net current (liabilities)/assets</b> .....	(15,305)	109,036	143,099	163,734
<b>Net Assets</b> .....	38,536	176,735	214,420	230,770

We recorded net current liabilities as of December 31, 2019 primarily due to approximately RMB192.0 million trade and other payables. Such significant amount of trade and other payables were primarily due to the record of approximately RMB104.0 million payable for deemed distribution arising from Reorganization to related parties, which accounted for approximately 54.1% of our trade and other payables as of December 31, 2019, and such sum was settled in full as of December 31, 2020. Our net current assets increased as of December 31, 2020 primarily attributable to (i) the settlement of the payable for deemed distribution arising from Reorganization of RMB104.0 million using the proceeds from the issue of shares in the same period; and (ii) our profit for the year generated in 2020. Our net current assets further increased as of December 31, 2021 primarily attributable to increase in our inventories and trade and other receivables as a result of increase in sales activities. Our net current assets further increased as of May 31, 2022 primarily attributable to our profit generated for the five months ended May 31, 2022.

Our net assets increased significantly as of December 31, 2020 when compared to the net assets as of December 31, 2019 primarily attributable to (i) the issuance of 100,000 Shares by the Company on March 24, 2020 which were subscribed by the Shareholders at the total consideration of USD14,888,780 (which is equal to RMB105,709,000); and (ii) the addition of the total comprehensive income during the year ended December 31, 2020. Our net assets increased continuously during the year ended December 31, 2021 and the five months ended May 31, 2022 primarily attributable to the addition of the total comprehensive income for the relevant periods. For more details, please refer to “Financial Information — Working Capital” and “Financial Information — Description of Certain Line Items in the Consolidated Statements of Financial Position” in this prospectus.

## SUMMARY

### Highlights of consolidated statements of cash flows

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from operating activities . . . . .	86,192	32,646	26,211	16,782	32,044
Net cash used in investing activities . . . . .	(11,636)	(21,586)	(25,090)	(6,474)	(3,414)
Net cash (used in) / generated from financing activities . . . . .	(87,543)	34,638	(23,279)	(1,994)	(1,796)
Cash and cash equivalents at the end of the year/ period . . . . .	<u>52,271</u>	<u>95,753</u>	<u>72,206</u>	<u>102,938</u>	<u>99,980</u>

Our net cash generated from operating activities decreased from 2019 to 2020 primarily attributable to our decrease in profit before taxation. Our net cash used in investing activities was primarily due to our payment for purchase of property, plant and equipment and intangible assets. Our net cash generated from operating activities decreased to RMB26.2 million in 2021 as a result of changes in working capital which primarily included increase in inventories of RMB10.7 million and increase in trade and other receivables of RMB11.4 million in 2021. Our net cash generated from operating activities increased from RMB16.8 million for the five months ended May 31, 2021 to RMB32.0 million for the five months ended May 31, 2022 as a result of (i) our increase in profit before taxation of RMB8.4 million; and (ii) the increase in working capital mainly attributable to the combined effect of (a) the decrease in inventories of RMB10.0 million; (b) the decrease in pledged deposits of RMB11.3 million; and (c) the decrease in trade and other payables of RMB15.1 million. For more details, please refer to “Financial Information — Liquidity and Capital Resources” in this prospectus.

### SUMMARY OF KEY FINANCIAL RATIOS

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021 (unaudited)	2022
Gross profit margin <sup>(1)</sup> . . . . .	19.7%	21.4%	17.5%	17.0%	18.3%
Adjusted net profit margin (non-HKFRS measure) <sup>(2)</sup> . . . . .	13.5%	13.6%	10.1%	8.1%	12.0%

Notes:

- (1) Calculated by dividing gross profit by revenue for the year/period and multiplied by 100%.
- (2) Calculated by dividing adjusted profit for the year/period (non-HKFRS measure) by revenue and multiplied by 100%. We define “adjusted profit for the year/period” (non-HKFRS measure) as profit for the year/period, adding back the Listing expenses. Adjusted profit for the year/period (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) are not measures required by or presented in accordance with HKFRSs. The use of adjusted profit for the year/period (non-HKFRS measure) has limitations as an analytical tool, and it should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

### RISK FACTORS

Our business primarily faces the following risks:

- Our sales and production of aluminum alloy automobile wheels may be adversely affected by developments and changes in the automobile industry and government policies affecting demand in the aftermarket.
- The outbreak and ongoing spread of COVID-19 could severely disrupt our business operations.

---

## SUMMARY

---

- We are subject to various international trade regulations, quotas, tariffs and duties, including anti-dumping, which may adversely affect our business, financial condition and results of operations.
- 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.
- Our products are subject to additional tariff imposed by the United States government since May 2019.
- Changes in international trade policies or imposition of barriers to trade, and the ongoing political tension between Lithuania and the PRC may have an adverse effect on our business.
- Our failure to maintain or enlarge our customer base may reduce our revenue and profitability.
- A significant portion of our revenue is derived from a limited number of our customers located both in the PRC and overseas and any decrease or termination of our sales to our major customers may have a material adverse effect on our business and financial condition.

### APPLICATION FOR THE OFFER SHARES

The application for the Hong Kong Offer Shares will commence on Tuesday, November 29, 2022 through Wednesday, December 7, 2022, being longer than normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, December 14, 2022. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, December 15, 2022.

### OFFER STATISTICS

	<u>Based on the Offer Price of HK\$0.50 per Offer Share</u>	<u>Based on the Offer Price of HK\$0.60 per Offer Share</u>
Market capitalization at the Listing (HK\$) <sup>(1)</sup> . . . . .	500 million	600 million
Unaudited pro forma adjusted consolidated net tangible assets per Share (HK\$) <sup>(2)</sup> . . . . .	0.37	0.40

*Notes:*

(1) The calculation of market capitalization is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the figures.

### RECENT DEVELOPMENTS

#### Outbreak of COVID-19

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

---

## SUMMARY

---

The COVID-19 outbreak presented challenges to our business and financial conditions in the first half of 2020. In the first half of 2019 and 2020, our revenue decreased from approximately RMB149.2 million to approximately RMB132.6 million, and our sales volume decreased from approximately 453,000 units to 371,000 units. We have also experienced longer trade and bills receivables turnover days, which may lead to an increase in the expected credit loss on our trade and bills receivables. In the second half of 2020, we have been able to recover demand from our customers both in terms of revenue and sales volume and our results of operations have returned to a level prior to the COVID-19 pandemic. For details, please refer to the paragraph headed “Financial Information — Recent developments and material adverse change” in this prospectus. We have continued to maintain a strong recovery in our results of operations in 2021. For the year ended December 31, 2021, our overall revenue generated was approximately RMB440.4 million, representing a 21.6% increase from the year ended December 31, 2020. Furthermore, our sales volume increased from approximately 1,045,000 units for the year ended December 31, 2020 to approximately 1,140,000 units for the year ended December 31, 2021, representing a year-to-year increase of approximately 9.1%.

### *Recent regional outbreaks of COVID-19 in the PRC*

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

In addition, in February and March 2022, COVID-19 broke out in Baise City, Guangxi Province, the PRC, which is one of the most important production cities of bauxite and aluminum ingot, and large-scale lockdown of Baise City directly impacted the aluminum ingot delivery capability. Further, there were uncertainties on the supply of ancillary raw material to our Group by one of our suppliers located in Shanghai due to the outbreak of COVID-19 in Shanghai in April 2022. In view of such uncertainties which could result in the lack of supply 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. In light of the aforementioned, our revenue decreased from approximately RMB159.5 million for the five months ended May 31, 2021 to approximately RMB149.8 million for the five months ended May 31, 2022, and our sales volume decreased from approximately 455,000 units to approximately 340,000 units for the same periods.

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

Having considered that (i) since mid-May 2022, our manufacturing facility has resumed normal operation with sufficient supply of raw material; (ii) the government authorities have put into significant resources and

---

## SUMMARY

---

efforts to contain the regional outbreaks of COVID-19 in the PRC and the gradual relaxation of control measures; and (iii) based on our unaudited management accounts, our financial performance for the nine months ended September 30, 2022 has improved compared to the corresponding period in 2021, our Directors believe the regional outbreaks of COVID-19 in the PRC is unlikely to have a material adverse impact on our business, results of operations and financial conditions as a whole in the long term. We will closely monitor the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition.

In view of the ongoing outbreak caused by the pandemic, we have implemented a complete business contingency plan to mitigate the adverse effects brought by the pandemic and tried to keep the disruption of our production to a minimum. In 2020, in light of the impact caused by the COVID-19 pandemic, we received finance loans interest subsidy from the local government of Yongkang City and we were also temporarily exempted from making employer's contributions to the social insurance premiums in light of impact caused by the COVID-19 pandemic. For details, please refer to the paragraph headed "Financial Information — Recent developments and material adverse change" in this prospectus.

### **Political tension between the PRC and the countries of our major overseas markets**

United States is one of our major overseas markets during the Track Record Period. Following the start of China–United States trade frictions in 2018, our sales to the United States were negatively affected. We undertook measures to mitigate the negative impact of the tariff on our products. As a result, we did not experience any material adverse change in respect of our revenue derived from the U.S. market during the Track Record Period. For further details of the impact of and the risks in relation to the China-United States trade friction and the risks, please refer to "Business — Sales and Distribution — Sales to the United States and impact of the China-United States trade frictions" and "Risk Factors — Risk Related to Our Business and Industry - Our products are subject to additional tariff imposed by the United States government since May 2019" in this prospectus.

Lithuania is also one of our major overseas markets during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we generated revenue of approximately RMB31.0 million, RMB33.2 million, RMB50.2 million and RMB12.4 million, respectively, from sales to Lithuania, which accounted for approximately 8.3%, 9.2%, 11.4% and 8.3% of our total revenue in the same periods, respectively. In November 2021, the PRC government downgraded its diplomatic ties with Lithuania after Lithuania allowed the opening of the Taiwanese Representative Office in Lithuania. It is reported that Lithuanian exporters had experienced difficulties in exporting their goods to the PRC. Our Directors are of the view that our overall business and financial performance were not adversely affected by such political tension in 2021 given that (i) there was no restriction or limitation on export of aluminum alloy automobile wheels from the PRC to Lithuania as at the Latest Practicable Date; and (ii) we have maintained a long-term and stable business relationship with UAB Group, our largest Lithuanian customer during the Track Record Period. For the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, our revenue from sales to UAB Group amounted to approximately 7.8%, 8.7%, 10.6% and 7.5% of our total revenue. Based on our communication with UAB Group, if trade ban is imposed due to the worsening of the relations between the PRC and Lithuania, UAB Group plans to continue conducting business with us by registering a new company in Poland, a nearby country to Lithuania and where one of its largest customers is located at. UAB Group will use the new company to place orders and settle payment with us, and our products will be delivered to Poland. For more details and our potential risk exposure if the political tension between China and Lithuania intensifies, please refer to "Risk Factors — Risks related to our business and industry — Changes in international trade policies or imposition of barriers to trade, and the ongoing political tension between Lithuania and the PRC may have an adverse effect on our business" in this prospectus.

### **Regulatory Developments**

#### *Regulatory Changes on Overseas Listing*

On December 24, 2021, the CSRC published the *Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草

---

## SUMMARY

---

稿徵求意見稿》) (“**Draft Administrative Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (“**Draft Measures for Filing**”, together with the Draft Administrative Provisions, “**Drafts relating to Overseas Listings**”), which are open for public comments until January 23, 2022. Pursuant to the Drafts relating to Overseas Listings, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted. As of the Latest Practicable Date, both the Draft Administrative Provisions and the Draft Measures for Filing had not been formally adopted, and due to the lack of detailed guidance or implementation rules, there were still uncertainties regarding the Drafts relating to Overseas Listings. For further details of the Drafts relating to Overseas Listings, please refer to the paragraphs headed “Risk Factors — We may be required to complete the filing with the CSRC for the Listing and subject to additional regulatory requirements if certain new draft regulations in relation to overseas listing are implemented in China” and “Regulatory Overview — PRC Laws and Regulations – 13. Overseas Listing Regulation” in this prospectus.

### DIVIDEND POLICY

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

During the Track Record Period, we neither declared nor paid any dividends to our equity shareholders.

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

### USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.50 to HK\$0.60 per Offer Share, our Company will receive net proceeds of approximately HK\$90.1 million (equivalent to approximately RMB78.6 million) from the issue of the Offer Shares, after deducting underwriting fees and other expenses paid and payable by us in connection with the Global Offering in the aggregate amount of approximately HK\$47.4 million (equivalent to approximately RMB41.4 million).

We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 57.0% (approximately HK\$51.4 million or RMB44.8 million) will be used for the expansion of our production capacity, including purchase of new equipment for our production of aluminum alloy automobile wheels;
- Approximately 36.2% (approximately HK\$32.5 million or RMB28.4 million) will be used for the construction of a new manufacturing facility, warehouse and other supporting facilities to accommodate our expansion of production capacity; and
- Approximately 6.8% (approximately HK\$6.2 million or RMB5.4 million) will be used for the design, development and testing of our new molds and prototypes.

For more details of our use of proceeds, please refer to “Future Plans and Use of Proceeds” in this prospectus.

---

## SUMMARY

---

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), First Oriental will be interested in 75% of the issued Shares of our Company. As at the Latest Practicable Date, First Oriental was wholly-owned by TopSun which was in turn was owned as to 70% by Mr. Xu and 30% by Ms. Chen, the spouse of Mr. Xu. As Mr. Xu and Ms. Chen hold their interests in our Company through TopSun and First Oriental, Mr. Xu and Ms. Chen together with TopSun and First Oriental shall be regarded as a group of Controlling Shareholders under the Listing Rules. For more details, please refer to “Relationship with Our Controlling Shareholders – Our Controlling Shareholders” in this prospectus.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB41.4 million, comprising (i) underwriting commission of approximately RMB3.6 million; and (ii) non-underwriting-related expenses of approximately RMB37.8 million, including fees and expenses of legal advisors and reporting accountants (approximately RMB25.1 million), the Sole Sponsor (approximately RMB5.3 million), industry consultant (approximately RMB1.1 million), search agents (approximately RMB1.3 million), internal control consultant (approximately RMB0.5 million) and other fees and expenses related to the Listing of approximately RMB4.5 million, representing approximately 34.5% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$0.55, being the mid-point of the indicative Offer Price range, excluding any discretionary incentive fee which may be paid, and that the Over-allotment Option will not be exercised), of which approximately RMB12.0 million is directly attributable to the issue of Shares to the public and to be deducted from equity, and approximately RMB29.4 million has been or is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income. During the Track Record Period, we incurred RMB34.7 million Listing expenses, of which RMB26.9 million was recognized in our consolidated statements of profit or loss and other comprehensive income, and RMB7.8 million is expected to be charged to equity upon Listing. We expect to further incur Listing expenses (including underwriting commission for all Offer Shares) of approximately RMB6.7 million upon the completion of the Global Offering, out of which approximately RMB2.5 million is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income, and approximately RMB4.2 million is expected to be charged to equity upon Listing. Our Directors do not expect such expenses will materially impact our results of operations for 2022. The aforementioned Listing expenses were the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

Save as disclosed above in this section, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since May 31, 2022 (being the date of our latest audited financial statements) up to the date of this prospectus and there has been no event since May 31, 2022 up to the date of this prospectus which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus. Our Directors are of the view that the COVID-19 outbreak would not have any material adverse effect on our results of operations and our long-term business development.

---

## DEFINITIONS AND CONVENTIONS

---

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“Accountants’ Report”	the accountants’ report of KPMG dated November 29, 2022, the text of which is set out in Appendix I to this prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“aftermarket” or “AM”	the market for parts and accessories used in the repair or maintenance of an automobile. According to Frost & Sullivan, aftermarket service refers to any service provided after a customer has purchased the automobile which includes repair and maintenance of an automobile. Automobile maintenance mainly refers to the regular replacement of wearable parts including engine oil, tyre, brake pads, and spark plug
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on November 18, 2022, which shall become effective from the Listing Date (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BIS List”	the Bureau of Industry and Security’s Entity List, Denied Parties List, or Unverified List maintained by the U.S. Department of Commerce
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Buyang Group”	Buyang PRC and its subsidiaries, and, for the avoidance of doubt, exclude any member of our Group unless the context requires otherwise

---

## DEFINITIONS AND CONVENTIONS

---

“Buyang HK”	Buyang (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on November 26, 2018, which is a wholly-owned subsidiary of our Company
“Buyang PRC”	Buyang Group Co., Ltd.* (步陽集團有限公司), formerly known as Yongkang City Buyun Door Co., Ltd.* (永康市步雲門業有限公司), Yongkang City Buyang Door Co., Ltd.* (永康市步陽門業有限公司) and Zhejiang Buyang Group Co., Ltd.* (浙江步陽集團有限公司), a company incorporated in the PRC with limited liability and owned as to 80% by Mr. Xu and 20% by Ms. Chen as at the date of this prospectus
“Buyang Wheel”	Zhejiang Buyang Auto Wheel Co., Ltd.* (浙江步陽汽輪有限公司), a company incorporated in the PRC with limited liability on September 3, 2007, which is an indirect wholly-owned subsidiary of our Company
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of certain sum standing to the credit of the share premium account of our Company referred to in the paragraph headed “Statutory and General Information — 1. Further information about our Group — C. Written resolutions of our sole Shareholder passed on November 18, 2022” in Appendix IV to this prospectus
“Cautionary Letter”	the cautionary letter issued by OFAC on May 12, 2021
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by

---

## DEFINITIONS AND CONVENTIONS

---

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request

“CCASS Investor Participant”

a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

“CCASS Operational Procedures”

the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

“CCASS Participant”

a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

“China” or “PRC”

the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan

“close associate(s)”

has the meaning ascribed to it under the Listing Rules

“CNC” or “computer numerical control”

a method for automating control of machine tools through the use of software embedded in a microcomputer attached to the tool

“Companies Act”

the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

“Companies Ordinance”

the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

---

## DEFINITIONS AND CONVENTIONS

---

“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	Buyang International Holding Inc (步陽國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on November 14, 2018
“Comprehensively Sanctioned Countries”	Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine and the self-proclaimed Luhansk People’s Republic (LPR) and Donetsk People’s Republic (DPR) regions
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and, unless the context requires otherwise, refers to Mr. Xu, Ms. Chen, TopSun and First Oriental
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the corporate governance code as set out in Part 2 of Appendix 14 to the Listing Rules
“COVID-19”	a newly identified coronavirus known to cause contagious respiratory illness
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
“Deed of Indemnity”	the deed of indemnity dated November 18, 2022 entered into by the Controlling Shareholders with and in favor of our Company (for itself and as trustee for each of its subsidiaries) as further described under the paragraph headed “Statutory and General Information — 5. Other Information — C. Deed of Indemnity” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax

---

## DEFINITIONS AND CONVENTIONS

---

“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007, amended and came into effect on December 29, 2018
“English Legal Advisors”	KWM Europe LLP
“EU”	the European Union
“Euro(s)” or “EUR”	the lawful currency of the EU
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“First Oriental”	First Oriental Limited, a company incorporated in the BVI as a BVI business company on October 31, 2018 which is wholly-owned by TopSun and is one of our Controlling Shareholders
“FOB”	free on board, which means the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent global market research and consulting company
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan on the aluminum alloy automobile wheel market, which was commissioned by the Company
“FSE List”	the list of the Foreign Sanctions Evaders maintained by OFAC, which sets forth individuals and entities that are determined to have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions on Syria or Iran, and are prohibited to transact with U.S. persons or within the United States but whose assets/property interests are not subject to blocking
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Placing

---

## DEFINITIONS AND CONVENTIONS

---

“GREEN Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group”, “our Group”, “we” or “us”	our Company together with its subsidiaries and, in respect of the period before our Company became the holding company of our present subsidiaries, refers to the companies that are the present subsidiaries of the Company
“HK eIPO White Form”	the application of the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified in the <b>IPO App</b> or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollar(s)”, “HKD” or “HK\$”	the lawful currency of Hong Kong
“Hong Kong Legal Counsel”	Mr. Brian T.Y. Lo, barrister-at-law in Hong Kong
“Hong Kong Offer Share(s)”	the 25,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Hong Kong Public Offering, as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the issue and offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions described in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering listed in the section headed “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus

---

## DEFINITIONS AND CONVENTIONS

---

“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 28, 2022 and entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters relating to the Hong Kong Public Offering, as further described in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering” in this prospectus
“IATF 16949”	a global quality management system standard for the automotive industry published by the International Automotive Task Force
“Independent Third-Party(ies)”	any party who or which is/are not connected person(s) (within the meaning of the Listing Rules) with any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, our subsidiaries or any of their respective associates and not otherwise a connected person of our Company
“Innovation Vision”	Hong Kong Innovation Vision Limited (香港創新視野有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third-Party save for its involvement in the Reorganization
“International Placing”	the conditional placing by the International Underwriter(s) on behalf of our Company of the International Placing Shares for cash at the Offer Price, as further described under the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 225,000,000 new Shares (subject to reallocation and the Over-allotment Option) being initially offered by our Company for subscription under the International Placing, as described under the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the EU and its member states, UN, the U.K. or the Government of Australia

---

## DEFINITIONS AND CONVENTIONS

---

“International Sanctions Legal Advisors”	Hogan Lovells, our legal advisors as to International Sanctions laws in connection with the Listing
“International Underwriter(s)”	the underwriter(s) which are expected to enter into the International Underwriting Agreement to underwrite the International Placing Shares
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around December 7, 2022 among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters relating to the International Placing, as further described in the paragraph headed “Underwriting — The International Placing” in this prospectus
“ <b>IPO App</b> ”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <b>www.hkeipo.hk/IPOApp</b> or <b>www.tricorglobal.com/IPOApp</b>
“ISO”	International Organization for Standardization
“ISO 14001”	the international standard that specifies requirements for an effective environmental management system
“Japan Legal Advisors”	King & Wood Mallesons Law Offices (Foreign Law Joint Enterprise)
“JMBEE”	Jinhua Municipal Bureau of Ecology and Environment (金華市生態環境局)
“Joint Bookrunners”	Zhongtai International Securities Limited, BOCOM International Securities Limited, SPDB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, CEB International Capital Corporation Limited, China PA Securities (Hong Kong) Company Limited, Southwest Securities (HK) Brokerage Limited, First Shanghai Securities Limited, China Tonghai Securities Limited, Zheshang International Financial Holdings Co., Limited, ZMF Asset Management Limited

---

## DEFINITIONS AND CONVENTIONS

---

“Joint Lead Managers”	Zhongtai International Securities Limited, BOCOM International Securities Limited, SPDB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, CEB International Capital Corporation Limited, China PA Securities (Hong Kong) Company Limited, Southwest Securities (HK) Brokerage Limited, First Shanghai Securities Limited, China Tonghai Securities Limited, Zheshang International Financial Holdings Co., Limited, ZMF Asset Management Limited, West Bull Securities Limited, Goldlink Securities Limited, Sunhigh Financial Holdings Limited
“Labor Contract Law”	the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated on June 29, 2007 and came into effect on of January 1, 2008
“Latest Practicable Date”	November 20, 2022, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Leased Property”	the workshop, the office and the land located on 8 Buyang Road, Xicheng, Yongkang City, Zhejiang Province, PRC
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, December 15, 2022, on which dealings in our Shares on the Main Board of the Stock Exchange first commence
“Listing Division”	the Listing Division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Lithuania Legal Advisors”	TGS Baltic
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

---

## DEFINITIONS AND CONVENTIONS

---

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of the Company conditionally adopted on November 18, 2022, which shall become effective from the Listing Date (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this prospectus
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPa”	megapascal
“Mr. Xu”	Mr. Xu Buyun (徐步雲先生), chairman of our Board, our non-executive Director, one of our Controlling Shareholders and the spouse of Ms. Chen
“Ms. Chen”	Ms. Chen Jiangyue (陳江月女士), one of our Controlling Shareholders and the spouse of Mr. Xu
“Ms. Xu”	Ms. Xu Jingjun (徐璟珺女士), deputy chairlady of our Board, our executive Director and daughter of Mr. Xu and Ms. Chen
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nigeria Legal Advisors”	Jackson, Etti & Edu
“Nomination Committee”	the nomination committee of the Board
“OEM”	Original Equipment Manufacturer
“OFAC”	The U.S. Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.60 per Offer Share and

---

## DEFINITIONS AND CONVENTIONS

---

	expected to be not less than HK\$0.50 per Offer Share at which the Offer Shares are to be offered under the Global Offering, to be determined in the manner as set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Offer Share(s)”	the Share(s) offered in the Global Offering, where relevant, including any additional Shares issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) and the Sole Global Coordinator subject to the terms and conditions of the International Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover over-allocations in the International Placing and/or to satisfy the obligation of the Stabilizing Manager to return securities borrowed under the Stock Borrowing Agreement, particulars of which are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Phase One Agreement”	The Economic and Trade Agreement between the Government of the United States of America and the Government of the People’s Republic of China, which came into effect on February 14, 2020
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisors”	King & Wood Mallesons Beijing
“Price Determination Agreement”	the agreement to be entered into by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on or about the Price Determination Date to determine the Offer Price
“Price Determination Date”	the date expected to be on or about Wednesday, December 7, 2022 or such later date as may be agreed between our Company and the Sole Overall Coordinator

---

## DEFINITIONS AND CONVENTIONS

---

	(for itself and on behalf of the Underwriters) but in any event no later than Friday, December 9, 2022, on which the Offer Price is fixed for the purpose of the Global Offering
“Primary Sanctioned Activity”	any activity in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdiction”	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation
“Relevant Person(s)”	means the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares including the Stock Exchange and related group companies
“Relevant Regions”	Crimea, Iran, Syria, the Balkans (Bulgaria, Croatia, Greece, Slovenia, Albania, Serbia), Belarus, Egypt, Hong Kong, Iraq, Lebanon, Libya, Nicaragua, Russia (excluding Crimea region), Turkey, Ukraine (excluding Crimea region) and Yemen
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the corporate reorganization of our Group in preparation for the Listing as described in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus

---

## DEFINITIONS AND CONVENTIONS

---

“Renminbi” or “RMB”	the lawful currency of the PRC
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Sanctioned Country”	any country or territory subject either to a general and comprehensive embargo or a more limited set of export, import, financial or investment restrictions under sanctions related law or regulation of the Relevant Jurisdiction
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, U.K., UN or Australia
“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Comprehensively Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“Saudi Arabia Legal Advisors”	The Law Firm of Wael Alissa in association with Dentons & Co.
“SDN”	individuals and entities that are listed on the SDN List
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“Secondary Sanctionable Activity”	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
“SFC”	the Securities and Futures Commission of Hong Kong

---

## DEFINITIONS AND CONVENTIONS

---

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the capital of our Company with par value of US\$0.001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to the written resolutions of our then sole Shareholder dated November 18, 2022 as further described in the section headed “Statutory and General Information — 4. Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor”	Zhongtai International Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Sole Global Coordinator”, “Sole Overall Coordinator” or “Sole Sponsor-OC”	Zhongtai International Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“sq.m.”	square meter
“SSI List”	the list of the Sectoral Sanctions Identifications parties maintained by OFAC, which sets forth entities designated by OFAC in Russia’s energy, financial and/or defense sectors that are subject to more limited, sectoral, sanctions imposed under one or more OFAC Directives that prohibit certain (but not all) dealings with U.S. persons or within the United States
“Stabilizing Manager”	Zhongtai International Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between the Stabilizing Manager and First Oriental pursuant to which the Stabilizing Manager may borrow up to 37,500,000 Shares from First Oriental for the purpose of covering any over-allocation under the International Placing

---

## DEFINITIONS AND CONVENTIONS

---

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Swiss Franc(s)” or “CHF”	the lawful currency of Switzerland and Liechtenstein
“Taiwan Legal Advisors”	Lee and Li, Attorneys-at-Law
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“TopSun”	TopSun Investment Holding Company Limited, a company incorporated in the BVI as a BVI business company on October 26, 2018 which is owned as to 70% by Mr. Xu and 30% by Ms. Chen and is one of our Controlling Shareholders
“Track Record Period”	the period comprising the three financial years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022
“UAE”	United Arab Emirates
“UAE Legal Advisors”	Trench & Associates DMCC
“UN”	the United Nations
“Underwriters”	the Hong Kong Underwriter(s) and the International Underwriter(s)
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.” or “United States”	the United States of America
“U.S. dollar(s)”, “US\$” or “USD”	U.S. dollar(s), the lawful currency of the United States
“U.S. Legal Advisors”	Yuan Law Group PC
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

---

## DEFINITIONS AND CONVENTIONS

---

“VSD”	Voluntary self-disclosure
“Workshop and Office Lease Agreement”	the workshop and office lease agreement dated December 20, 2014 (as amended by the supplemental agreement dated August 3, 2020), entered into between Buyang Wheel and Buyang PRC pursuant to which Buyang Wheel agreed to rent and Buyang PRC agreed to let the Leased Property as further described in the paragraph headed “Connected Transactions — Subsisting transaction entered into before the Listing which would otherwise constitute connected transaction — Workshop and Office Lease Agreement” in this prospectus
“%”	percent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

---

## FORWARD-LOOKING STATEMENTS

---

This prospectus contains certain forward-looking statements relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- adverse changes or developments in the industries in which we operate;
- our operation and business prospect;
- our business strategies and plans to achieve these strategies;
- our ability to maintain and enhance our market position;
- the effects of domestic and overseas competition in the industries or markets in which we operate and its potential impact on our business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to the PRC;
- general political and global economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC Government to manage economic growth;
- fluctuations in inflation, interest rates and exchange rates;
- material changes in the costs of the equipment required for our operations;
- our ability to expand and manage our business and to introduce new businesses;
- our ability to obtain or extend the terms of the licenses necessary for the operation of our business;
- changes in restrictions on foreign currency convertibility and remittance abroad;
- changes to our expansion plans and estimated capital expenditure;
- our dividends;
- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors; and
- other factors discussed in sections headed “Summary”, “Risk Factors”, “Future Plans and Use of Proceeds”, “Industry Overview”, “Business” and certain statements in the section headed “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

---

## **FORWARD-LOOKING STATEMENTS**

---

Subject to the requirements of applicable laws, rules and regulations, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. The forward-looking statements in this prospectus are qualified by reference to the cautionary statements set out in this section.

---

## RISK FACTORS

---

*Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. Particular attention should be paid to the fact that our Company is incorporated in the Cayman Islands and one of our Group's subsidiaries is located in the PRC and are governed by legal and regulatory environments which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial position or on the trading price of the Shares, and could cause the loss of all or part of such investment.*

*This prospectus also contains "forward-looking statements" that involve risks and uncertainties. The actual results of our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by our Group as described in this prospectus. If any of the following considerations and uncertainties develops into actual events, our business, financial position or results of operations may be materially and adversely affected. In such circumstances, the trading price of the Shares could decline and may cause the loss of all or part of such investment.*

### **RISKS RELATED TO OUR BUSINESS AND INDUSTRY**

#### **Our sales and production of aluminum alloy automobile wheels may be adversely affected by developments and changes in the automobile industry and government policies affecting demand in the aftermarket.**

Our sales and production of aluminum alloy automobile wheels depends on, among other things, the development of the automobile industry and market demand for our products, in particular, demand in the aftermarket for customization and replacement.

Demand for our products correlates to a large extent to the trend in the automobile market in the PRC, which was the largest single country market for us in terms of revenue during the Track Record Period. Revenue in the PRC accounted for approximately 25.2%, 27.4%, 33.8% and 39.8% of our total revenue for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The automobile market in the PRC is characterized by evolving industry standards, regulatory requirements and changing customer preferences. In addition, the automobile market is affected by a number of factors, including general economic conditions, governmental policies, fiscal policy, fuel costs, the availability and cost of consumer financing, and automobile replacement cycles. Recent general slowdown in the PRC's economy and adverse changes in governmental policies resulted in significant reduction in automobile production and sales, which in turn negatively impacted the aluminum alloy automobile wheel market. According to Frost & Sullivan, the automobile production in the PRC decreased from 29.0 million units in 2017 to 26.1 million units in 2021. During the same years, the sales volume of aluminum alloy automobile wheels in the PRC decreased from 209.0 million units in 2017 to 202.5 million units in 2021. If such slowdown persists, it may materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, 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 the total revenue for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. Our international operations are subject to inherent risks, including but not limited to exposure to local economic and political

---

## RISK FACTORS

---

conditions, changes in laws, regulations, trade or monetary or fiscal policy and difficulty of enforcing agreements, collecting trade and other receivables. Due to the global nature of our business, any material changes in the economic and political environment and local laws and regulations may adversely affect our sales to the respective countries and territories.

**The outbreak and ongoing spread of COVID-19 could severely disrupt our business operations.**

The outbreak and ongoing spread of COVID-19 has created a negative impact on macro-economy in the PRC and the world, including our normal business activities. In compliance with the relevant government policies, we only resumed full capacity production in our manufacturing facility in March 2020, which resulted in delay in fulfilling certain of our outstanding purchase orders.

In order to control the outbreak of COVID-19, various countries and regions from which we derive revenue may introduce a series of continuous control measures, including, among others, restrictions on enterprises from resuming work, traffic control, travel bans. As a majority part of our revenue is derived from overseas market, the spread of COVID-19 globally may also materially and adversely affect our business, results of operations and financial performance.

The COVID-19 outbreak presents challenges to our business and financial conditions. During the first half of 2020, both revenue and sales volume of our aluminum alloy automobile wheels decreased compared with that during the first half of 2019. Furthermore, we experienced decrease in revenue generated from regions where our customers experienced difficulties resuming normal business operations as a result of the temporary impact caused by the COVID-19 outbreak. For the year ended December 31, 2020, we also experienced longer trade and bills receivables turnover days.

We have experienced a strong recovery of our business since the second half of 2020. However, we cannot assure you that our business and our growth rate will not be negatively affected by the pandemic in the future. In early 2022, regional outbreaks of COVID-19 hit certain areas in the PRC. In response, local governments in the affected areas imposed various restrictions, including city lockdowns and traffic control across certain regions. As a result, our business operation in terms of revenue and sales volume of aluminum alloy automobile wheels were temporarily affected in the five months ended May 31, 2022 compared to the same period in 2021. For details, please refer to the paragraph headed “Summary — Recent Developments — Outbreak of COVID-19 — Recent regional outbreaks of COVID-19 in the PRC”. There remain uncertainties surrounding the COVID-19 outbreak considering the recent regional resurgence of COVID-19 cases in certain areas in the PRC. Should COVID-19 continue to affect the macro-economy in the PRC and global economy and in particular on our operation and transaction volume in 2022, our business, financial condition and results of operations may be materially and adversely affected. For more details, please refer to “Summary — Recent developments” in this prospectus.

**We are subject to various international trade regulations, quotas, tariffs and duties, including anti-dumping, which may adversely affect our business, financial condition and results of operations.**

We generated revenue of approximately RMB279.7 million, RMB263.0 million, RMB291.8 million and RMB90.2 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, from sales to overseas markets, which accounted for approximately 74.8%, 72.6%, 66.2%

---

## RISK FACTORS

---

and 60.2% of our total revenue in the same periods. From time to time, the countries to which we sell our products may impose additional quotas, duties or tariffs that are applicable to us. In January 2019, Eurasian Economic Union (the “EEU”), of which Russia is a member country, announced final affirmative determination imposing anti-dumping duty on aluminum alloy automobile wheels imported from the PRC for a period of five years with a quota of 33.66%. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue from sales to Russia accounted for approximately 0.1%, 0.7%, 1.5% and 1.3% of our total revenue for the same periods. In addition, we generated 0.3%, 0.7%, 1.7% and 1.3% of our total revenue from sales to countries within the EEU for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. For more details on additional tariff imposed by the United States government that our products may be subject to, please refer to “— Our products are subject to additional tariff imposed by the United States government since May 2019” in this section of the prospectus. Revenue from sales to the United States market were equivalent to approximately RMB39.1 million, RMB68.6 million, RMB86.2 million and RMB26.3 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing approximately 10.5%, 18.9%, 19.6% and 17.6% of our total revenue for the same periods.

Due to the imposition of tariffs in various countries, including the United States, some of our competitors may attempt to avoid or minimize their risk exposure to these measures by, among other means, shifting their sales from the original targeted markets to those markets which do not have tariffs and/or dumping their products with substantial price cut, leading to more intense competition in the industry. In addition, any duties imposed by such tariffs may increase the procurement cost of our exported products as compared to those of our competitors from other countries that are not subject to such tariffs, which in turn may negatively affect our competitiveness against such foreign competitors in these regions.

As it cannot be accurately predicted that whether any anti-dumping duties, anti-subsidy duties, tariffs or quota fees will be imposed in the future, we do not make any provisions in our accounts for any anti-dumping duties, anti-subsidy duties, tariffs or quota fees. There can be no assurance that future international trade regulations, quotas, tariffs and duties will not increase our costs and/or the procurement cost of our exported products nor provide our competitors with an advantage over us. As such, any of the aforementioned may have a material and adverse effect on our business, financial condition and results of operations.

**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.**

The U.S. and other jurisdictions or organizations, including the EU, the UN, 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.

During the Track Record Period, we made sales and/or deliveries 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

---

## RISK FACTORS

---

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. For more details, please refer to “Business — Business Activities relating to Sanctioned Countries” in this prospectus.

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. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of U.S., the EU, the UN, the U.K., the United Kingdom overseas territories, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. For more details of our business operations in the Sanctioned Countries and our undertakings to the Stock Exchange and its related group companies, please refer to “Business — Business Activities relating to Sanctioned Countries” in this prospectus.

### **Our products are subject to additional tariff imposed by the United States government since May 2019.**

There has been continuing trade tension between the United States and the PRC. In May 2019, the United States government raised the tariff from 10% to 25% on certain products imported from the PRC, including certain Chinese aluminum alloy wheels. In January 2020, the United States and the PRC have entered into the Phase One Agreement, there are still pertinent uncertainty surrounding our export business.

---

## RISK FACTORS

---

Although our revenue did not experience any material adverse impact during the Track Record Period as a result of the China-United States trade frictions due to the mitigating measures undertaken by us, we cannot accurately predict whether or when the current imposed tariffs will be further amended in the future, or if any additional tariff will be imposed on our products by the United States. Our products that are subject to the increased tariff could be less price competitive to our customers in the United States. This could adversely impact our revenue derived from the United States. Any such trade restrictions imposed by the United States could significantly increase our customers' procurement costs and render our products less price competitive in the United States. At the same time, if we are not able to pass on the additional costs in connection with the tariff imposed by the United States to our customers, our profit margin could be adversely affected. As such, any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

**Changes in international trade policies or imposition of barriers to trade, and the ongoing political tension between Lithuania and the PRC may have an adverse effect on our business.**

International market conditions and the international regulatory environment have historically been affected by geopolitical frictions and competition among countries. Changes to trade policies, treaties and restrictions, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the countries or territories to which our products are sold to, as well as our financial condition and results of operations. There has been a political tension between Lithuania and the PRC. In November 2021, the PRC government downgraded its diplomatic ties with Lithuania and it is reported that Lithuanian exporters had experienced difficulties in exporting their goods to the PRC. Lithuania is one of our major overseas markets during the Track Record Period. Our revenue generated from sales to Lithuania accounted for approximately 8.3%, 9.2%, 11.4% and 8.3% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. As at the Latest Practicable Date, there is no restriction or blocking on export of our products to Lithuania resulting from the political tension between the two countries. However, the bilateral relationship is an ongoing matter and may change rapidly. Therefore, we cannot predict how the relationship between Lithuania and the PRC will further evolve or what impact any subsequent developments in the relationship may have on our business. If trade restriction is imposed as a result of adverse changes to the political relationships between Lithuania and the PRC which blocks the export of our products to Lithuania, it may adversely affect our business, financial condition and results of operations.

**Our failure to maintain or enlarge our customer base may reduce our revenue and profitability.**

Our customers are mainly aluminum alloy automobile wheel wholesale traders and after-sales retailers in the aftermarket. 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. We had 102, 94, 67 and 44 customers located in 51, 52, 37 and 26 overseas countries and territories in the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. We have business relationships with the majority of our top five customers during the Track Record Period for more than five years. Our business has been and will continue to be significantly dependent on our customers.

We generally do not enter into long-term sales agreements with our customers obligating them to place orders with us which would secure future revenue for us. Instead, we generally negotiate separately with customers for each purchase order they place. As such, there can be no assurance that our customers will place their purchase order at commercially reasonable terms, or at all. If such customers no longer view our products as attractive as compared to competing offerings, we may not be able to maintain or enlarge our customer base.

---

## RISK FACTORS

---

**A significant portion of our revenue is derived from a limited number of our customers located both in the PRC and overseas and any decrease or termination of our sales to our major customers may have a material adverse effect on our business and financial condition.**

During the Track Record Period, we derived a significant portion of our revenue from our top five customers located in both the PRC and overseas, which accounted for approximately 32.9%, 35.3%, 38.5% and 32.4% 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, revenue generated from our largest customer accounted for approximately 10.2%, 10.9%, 10.6% and 10.2% of our total revenue, respectively. Sales to our major customers are dependent on their continued growth, viability and financial stability. In addition, maintaining business relationship with our top overseas customers may involve additional uncertainties as compared with domestic customers. In the event that we cannot maintain our existing level of business with our major customers, we will need to procure new customers or seek new businesses with existing customers. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

**We are exposed to risks related to fluctuation in the price of aluminum ingot, and any substantial increase in the price of aluminum ingot could have a material adverse effect on our business, financial condition and results of operations.**

Our operating results, particularly profit margins, are significantly affected by the cost of raw materials and consumables used. In particular, the procurement cost of aluminum alloy ingot represented approximately 78.3%, 77.5%, 82.5% and 85.4% of our total cost of raw materials and consumables used for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, and approximately 56.3%, 56.4%, 62.2% and 63.7% of the total cost of sales, respectively. The price of aluminum alloy ingot is highly correlated to the price of aluminum ingot. Therefore, the increase of the price of aluminum ingot may have an adverse impact on our gross profit margin.

Aluminum ingot price may be affected by many factors beyond our control, such as supply and demand, electricity price, policies and regulations and technology. The market price of aluminum ingot fluctuated significantly in recent years. According to Frost & Sullivan, in 2015, the market price of aluminum ingots has dropped sharply primarily due to the oversupply after years of rapid development in the market. In early 2016, the PRC government rolled out a supply-side reform of the metal industry with the aim of eliminating excess capacity. With gradual decline in the supply-side capacity, the price of aluminum ingot has recovered continuously and reached a peak at RMB16,255.0 per ton on October 10, 2017, but followed by a downward trend afterwards until the second quarter of 2020. According to Frost & Sullivan, the dramatic decline in the first quarter of 2020 was mainly triggered by the unexpected outbreak of COVID-19 which reduced demand significantly. Subsequent to the initial outbreak of the COVID-19 pandemic in the PRC, the price of aluminum ingot increased significantly since the second quarter of 2020. According to Frost & Sullivan, such increase was mainly due to (i) the recovery of business in the PRC as a result of relaxation of lock-down and isolation policies, prompting a surge in demand for aluminum ingot in various manufacturing industries; and (ii) the implementation of the carbon neutral policy by the PRC government in 2021 which deterred excess production of aluminum ingot in the PRC. As part of the PRC government's long-term goal of lowering carbon emissions, the recent implementation of the carbon neutral policy is expected to have a direct impact on the price of aluminum ingot as supply side manufacturers of aluminum products are restricted by the stringent emission standards which will prevent excessive production of aluminum ingot. In the last two months of 2021, due to the excessive aluminum inventory level, the price experienced a

---

## RISK FACTORS

---

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

Due to time lag between our procurement of raw materials from suppliers and sales to our customers, our profit margin could be adversely affected in the event of rising price of aluminum ingot which will in turn increase our procurement cost of aluminum alloy ingot, and it is not always realistic to immediately pass all or part of the increases in our raw material costs to our customers in the form of price increases. If we fail to effectively control the cost of our raw materials or fail to pass the increased cost to our customers, our business, financial condition and results of operations could be materially and adversely affected.

**Our plans for production capacity expansion are exposed to uncertainties and potential inaccuracy in their underlying assumptions.**

We plan to gradually expand our annual aluminum alloy automobile wheel production capacity from the current approximately 1.2 million units to approximately 2.4 million units by November 2024. For more details please refer to “Business — Production — Our Expansion Plan” in this prospectus. Various factors, including delivery and installation of key equipment, regulatory approval, manpower restraint, financing availability and the accuracy of the assumptions underlying our project design and engineering, could affect the implementation of our expansion plans within anticipated timeframe and budget and in turn result in a failure to attain our desired production capacity or expected economic benefits.

Furthermore, there can be no assurance that our expanding production capacity would be supported with a sufficient market demand. As such, all the aforementioned factors could have a material and adverse effect on our business, financial condition and results of operations.

**A significant portion of our raw materials were procured from a limited number of suppliers with whom we had no long-term agreements.**

Cost of raw materials and consumables used accounted for the majority of our cost of sales each year during the Track Record Period. We procure aluminum alloy from a limited number of suppliers during the Track Record Period. If any of our largest suppliers decides to terminate, not to renew, or to limit or reduce its supply to us, we may not be able to find alternative suppliers for similar purchases on similar conditions in a timely manner, or at all, which may disrupt or reduce our production, and in turn materially and adversely affect our business, financial condition and results of operations.

---

## RISK FACTORS

---

We do not enter into long-term agreements with our suppliers. The terms of our framework agreements with suppliers are generally no more than one year. We purchase certain raw materials from suppliers with purchase orders as the need arises. There can be no assurance that our suppliers will be able to supply the required raw materials to us in a timely manner or that they will not significantly increase the prices at the time of our purchase if it is within their power to do so. In addition, there can be no assurance that our suppliers would be able to deliver to us raw materials up to our required standard. In either case, our production schedule and business could be materially and adversely affected, and we may not be able to secure alternative supplies of raw materials of similar quality from other suppliers at prices and terms acceptable to us, or at all. Should any of these situations arise, we may be exposed to (i) an increase in raw material costs, which we may not be able to pass on to our customers; (ii) a reduction in the quality of our raw materials; or (iii) a shortage of raw materials supply, which may result in an increase in our cost of sales or a decline in the quality of our products. In such events, our business, financial condition and operation results could be materially and adversely affected.

### **We are subject to credit risk in respect of the recoverability of our trade and other receivables from our customers.**

We grant a credit period of no longer than 90 days to a few of our major PRC and overseas customers. We may not be able to receive payment for our products on time. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the average trade and bills receivables turnover days were approximately 47.0 days, 55.8 days, 59.3 days and 80.0 days, respectively. Our trade and other receivables as of December 31, 2019, 2020 and 2021 and May 31, 2022 amounted to approximately RMB47.6 million, RMB76.3 million, RMB91.0 million and RMB89.8 million, respectively. Our customers' financial condition may deteriorate within the granted credit period, or it may be possible that the customers dispute the amount payable to us, which in either case may result in an impairment provision for our trade and other receivables. Should the creditworthiness of our customers deteriorate, or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses. In addition, increases in trade and other receivables for a protracted period of time could exert pressure on our short-term liquidity. Moreover, many of our customers are located overseas, which may increase the difficulty to acquire timely payment from such customers. All of the aforementioned factors could materially and adversely affect our business, financial condition and results of operations.

### **We are subject to various risks relating to third-party payments.**

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 amount 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.

Third-Party Payments may subject us to various legal risks. We are exposed to possible money laundering risks as we only possess limited background knowledge of the parties involved in the Third-Party Payment arrangement and the source of the Third-Party Payments. In addition, we may be subject to potential claims from Third-Party Payors or their liquidators to return the Third-Party Payments. For more details, please refer to “Business — Certain Settlement Arrangements Through Third-Party Payors” in this prospectus.

---

## RISK FACTORS

---

If we were involved in legal proceedings on money laundering charges, we may need to spend significant time and financial and managerial resources in response to such proceedings. Even If we have good defences to the allegations and the court rules in our favour, our reputation as a trustworthy business may still be tarnished by our mere presence in the proceedings, which may in turn result in difficulty in maintaining good business relationship with our existing customers or attracting new customers. Moreover, If there is any claim brought by a Third-Party Payor or its liquidators against us demanding the return of the relevant Third-Party Payment, we may be forced to comply with the court ruling and return the payment which was paid for the products that we sold. We cannot assure you that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a claim or prosecution against us.

The Relevant Customers opted for settling their payables with us through Third-Party Payors due to various reasons. Starting from May 2020, we stopped allowing our customers to settle their payments through Third-Party Payments. As a result of our cessation of allowing Third-Party Payment, the Relevant Customers may be unable or reluctant to continue conducting business with us. If a significant number of the Relevant Customers cease to place orders or reduce their orders with us, and we are unable to make up the shortfall through other means, including but not limited to securing additional orders from our existing customers or expanding our customer base, our business, financial condition and results of operations may be adversely affected.

### **We recorded net current liabilities as of December 31, 2019.**

We rely on a combination of funds generated from our operations and loans from banks to finance our business operations and expansion during the Track Record Period. As of December 31, 2019, we had net current liabilities of approximately RMB15.3 million, which was primarily attributable to approximately RMB192.0 million trade and other payables. We had approximately RMB104.0 million payable for deemed distribution arising from Reorganization to related parties, which accounted for approximately 54.1% of our trade and other payables as of December 31, 2019, and were settled in full as of December 31, 2020. For more details, please refer to “History, Reorganization and Corporate Structure — Reorganization” in this prospectus. As of September 30, 2022, we had an aggregate of RMB30.0 million of bank loans. For more details, please refer to “Financial Information — Working Capital — Net Current (Liabilities)/Assets”.

Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of other payables and accruals and the repayment of our outstanding debts as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. Our ability to source external financing are dependent on the global and the PRC economic conditions, debt and capital market conditions and lending policies of the PRC government and banks, and other factors. There can be no assurance that we will be able to obtain adequate financing to meet our future working capital requirements. In the event that we have net current liabilities in the future, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow or obtain additional borrowings to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our financial statements included in this prospectus have been prepared on a going-concern basis, which takes into account our financial resources. If there is an adverse change to our profits, cash flow or ability to obtain additional financing, our financial statements may need to be prepared on an alternative basis

---

## RISK FACTORS

---

and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made.

**We may experience labor shortages, increased staff costs or deterioration in our labor relations.**

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our staff costs amounted to approximately RMB48.7 million, RMB44.2 million, RMB52.4 million and RMB16.9 million, respectively. To sustain the growth of our business, we may need to increase our workforce of experienced management, skilled labor and other employees to implement our expansion plans and to enhance the operating efficiency of our existing manufacturing facilities. In the event of labor shortages, we may have difficulties in recruiting or retaining employees or may face increasing staff costs. Given the recent economic growth in the PRC, competition for qualified personnel is substantial and staff costs have been increasing generally. In particular, the outbreak of COVID-19 and the corresponding quarantine measures imposed by the government may cause labor shortage and/or increased staff costs for us. We cannot assure you that we can retain and attract sufficient qualified employees on commercially reasonable terms, or at all. Any failure to attract qualified personnel at reasonable cost and in a timely manner could reduce our competitive advantages relative to our competitors, undermining our ability to expand our growth in revenues and profits and lead to material interruption to our production process. We cannot assure you that labor disputes, work stoppages or strikes will not arise in the future. Increases in our staff costs and future disputes with our employees could materially and adversely affect our business, financial condition and results of operations.

**We may fail to recruit and retain our senior management and other key personnel.**

We depend on the continued contribution from our senior management and other key personnel with required expertise and skills. These key personnel include Ms. Xu, the deputy chairlady of our Board and our executive Director, Mr. Ying Yonghui, our chief executive officer, general manager and executive Director, and Ms. Hu Huijuan, our executive Director and international sales manager. Our ability to recruit and retain them is influenced by a variety of factors, including the structure and the competitive market position of our overall compensation package. Our management team and skilled personnel may leave us or we may terminate their employment out of various kinds of consideration at any time. There can be no assurance that we will be able to retain our management team and skilled employees or find suitable or comparable replacements on a timely basis, or at all. Moreover, if any of our management team or key personnel leaves us or joins a competitor, we may lose customers, suppliers and industry know-how. Furthermore, since the demand and competition for talent is intense in our industry, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses. In addition, former employees may request certain compensation arising from their resignation or retirement, which we typically negotiate on a case-by-case basis. However, if we are unable to reach a mutually acceptable resolution with such employees, they may take other actions including, but not limited to, initiating legal proceedings. Such legal proceedings may require us to pay damages, cause us to incur costs and harm our reputation. Each of these aforementioned factors could materially and adversely affect our business, financial condition and results of operations.

---

## RISK FACTORS

---

**We are subject to occupational health and safety and environmental regulations and may be exposed to pertinent litigation or other liabilities.**

We are subject to various occupational health and safety and environmental laws and regulations governing, among other things, the health and safety of our employees, the generation, storage, handling, use, transportation, presence of or exposure to hazardous materials and the emission and discharge of hazardous materials into the ground, air or water.

Our production processes involve machineries and equipment that may be prone to industrial accidents, potentially causing physical injuries or even fatalities of our employees. There can be no assurance that industrial accidents, whether caused by malfunction or misuse of equipment or machineries, will not occur in the future. In such event, we may be liable to claims brought against us by injured employees or their families in cases of fatalities. We may also be subject to fines or penalties for violations of applicable health and safety laws and regulations by government authorities as well as suspension of our operations for investigation after such incidents. In addition, we may also be required by local government authorities to amend and implement new health and safety requirements to prevent the reoccurrence of such incidents in the future.

We generate pollutants such as waste water and waste gas in the production process. The discharged pollutants and disposal methods are currently in compliance with national discharge standards or disposal requirements. However, over time, national and local standards for, amongst others, the discharge of pollutants in waste water and in waste gas may become more stringent, therefore we may need to increase part of the investment to install and run treatment facilities or dispose of hazardous wastes. Certain environmental laws impose liability, sometimes regardless of fault, for requiring the payment of taxes for the conduct of directly discharging pollutants to the environment, and investigating or cleaning up contamination on or emanating from our currently or formerly owned, leased or operated properties, as well as for damages to properties or natural resources and for personal injuries arising out of such contamination. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to third-party disposals or treatment facilities when such facilities are found to be contaminated. During the Track Record Period, we had not experienced any major environmental incident or administrative penalty. However, there can be no assurance that we would not experience environmental incident or administrative penalty in the future. As such, any of the aforementioned could have a material and adverse effect on our reputation, business, financial condition and results of operations.

**We may be subject to product liability claims that are beyond our insurance coverage or suffer losses in connection with product recalls.**

We face inherent business risk of exposure to product liability claims that are beyond our insurance coverage in the event that our products fail to perform as expected. In particular, during the Track Record Period, our products were delivered to and sold in countries and territories with product liability regulations pursuant to which a manufacturer of a product may be liable in a product liability claim. Such countries and territories include, but are not limited to, the PRC, the United States, Japan, Lithuania and the UAE. Other countries and territories where our products are and may in the future be delivered to and sold may have similar or more onerous product liability regulations that may further expose us to the risk of product liability claims. For further details of the product liability regulations our products are subject to, please refer to “Regulatory Overview” in this prospectus. Any negative publicity related to the perceived quality and safety of our products

---

## RISK FACTORS

---

could affect our brand image, decrease customer demand, and adversely affect our results of operations and financial condition. In addition, safety and quality standards, laws and regulations are subject to amendments and modifications from time to time. There can be no assurance that existing or new products manufactured by us presently or in the future can meet or continue to meet the required safety and quality requirements. Should we fail to meet such requirements, we may be unable to serve our customers who may then procure from other suppliers, causing our business reputation and financial performance to deteriorate. Furthermore, our customers might seek indemnification or contribution or product recalls from us when faced with product liability claims. Our insurance may not provide adequate coverage against potential claims. For more details, please refer to “Business — Insurance” in this prospectus. A product recall may require significant management attention, affect the value of our brand image, result in decreased demand for our products and attract reinforced scrutiny by regulatory authorities over our operations. A product liability claim brought against us in excess of our available insurance coverage could have a material and adverse effect on our business, financial condition and results of operations.

**We may be subject to unanticipated disruption in the supply of fuel and utilities.**

Our production process relies on a constant and sufficient supply of fuel and utilities. Any interruption could disrupt our manufacturing process. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our cost of fuel and utilities amounted to approximately RMB23.1 million, RMB18.3 million, RMB19.0 million and RMB6.8 million, representing approximately 7.7%, 6.4%, 5.2% and 5.6% of our cost of sales, respectively.

There can be no assurance that our utility supply of fuel, water and electricity will not be disrupted in the future. If any of the foregoing occurs, we may experience substantial losses, including loss of revenue from disrupted production, or we may have to pay a higher procurement cost as a result and our cost of production may substantially increase, which could materially and adversely affect our business, financial condition and results of operations.

**We may fail to maintain or improve our utilization rates of our manufacturing facility, our margins and profitability may be materially and adversely affected.**

The higher the utilization rates of our manufacturing facility are, the greater number of products produced we can allocate fixed costs over, which may in turn increase our profit margin. 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. After the Track Record Period and up to the Latest Practicable Date, the overall utilization rate of our manufacturing facility increased to 97.3%. Our utilization rates depend primarily on the market demand for our products. In addition, our utilization rates may be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters, and frequency of repair, maintenance and breakdown of our production equipment. There can be no assurance that we will be able to maintain a comparable level of output and utilization rates of our manufacturing facility in the future. In the event we are unable to maintain or improve our utilization rates, our business, financial condition and results of operations may be materially and adversely affected.

---

## RISK FACTORS

---

**We may not be able to efficiently manage our inventory risks.**

Our scale and business model require us to manage a reasonable volume of inventory efficiently. Our inventories were approximately RMB61.8 million, RMB67.3 million, RMB77.9 million and RMB68.0 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. Our inventory turnover days were 84.6 days, 83.0 days, 73.0 days and 90.1 days in the year ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Changing customer demands and preferences, inaccurate demand forecasts, uncertainty of product developments and launches, and the time lag between the time when the inventory of raw materials is ordered from our suppliers and when our finished products are sold could expose us to inventory risks. The movement of consumer habits and the speed at which technological trends will change our market are beyond our control. Moreover, our customers may cancel orders with us, and we may not be able to resell those products.

In the event of our failure of managing our inventory effectively, we may be subject to inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sales prices in order to reduce inventory level, which may lead to lower gross profit margin. Any of the aforementioned may materially and adversely affect our business, financial condition and results of operations.

**We may be unable to obtain, retain or renew required permits, licenses, registrations or certificates for our business operations in the PRC.**

We are required to obtain or maintain relevant permits, licenses, registrations or certificates issued by competent government agencies in the PRC. For example, we are required to obtain 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), Archival Filing and Registration Form of Foreign Trade Operators\* (對外貿易經營者備案登記表), Radiation Safety Permit\* (輻射安全許可證), Registration Certificate of Use of Special Equipment\* (特種設備使用登記證) and Certification of Work Safety Standardization Level III Corporate (Mechanics)\* (安全生產標準化三級企業(機械)). There can be no assurance that such permits, licenses, registrations or certificates will not be revoked or will be renewed by the relevant authorities in the future. Any such adverse development could materially and adversely affect our business, financial condition and results of operations.

**We may fail to maintain, develop and enhance our brand image and reputation which reflect market recognition and demand of our products.**

Our customers value the quality and safety of our products, a fundamental component to ensuring the safety and efficient operation of each vehicle. Our brands, reputation and product sales could be affected by a number of factors, including but not limited to: (i) expectations of our customers; and (ii) quality of customer service. Our success depends on our ability to continue to introduce high performance products. Achieving market acceptance of new products requires substantial expenditures and is subject to uncertainty. Our failure in introducing products that meet the expectations of our customers and end users could materially and adversely affect our brand image and our business, financial condition and results of operations.

**We face intense competition in our industry, which could materially and adversely affect our profitability.**

According to the Frost & Sullivan Report, the aluminum alloy automobile wheel industry is fragmented and subject to intense competition. Market participants compete primarily on price, quality, functions and

---

## RISK FACTORS

---

delivery of products, and overall customer service. For more details, please refer to “Business — Competition” in this prospectus. Competition from companies located in certain regions of the world with comparatively lower costs of raw material, labor and other costs may lead to lower selling prices of or reduced demand for our products. In addition, our industry requires substantial capital expenditure in manufacturing, machinery, research and development, product design, and marketing in order to meet both consumer preferences and regulatory requirements. If our competitors consolidate or enter into strategic alliances among themselves, they may be able to take better advantage of these economies of scale. All of the aforementioned advantages over us may enable our competitors to market, promote and sell their products more effectively and develop stronger relationships with customers.

We launch new products to meet changing consumer preferences and our customers’ demands to maintain our competitive position, which relies on our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis. We may not be able to respond adequately to competitive pressures or react quickly to other changes in the market to maintain or improve our market position. Lack of market acceptance, delays in product development or production and failure in operating properly, inferiority to competitor’s products, and insufficient income generated from such new products could result in a material and adverse effect on our business, financial condition and results of operations.

**We may be involved in claims, disputes and legal proceedings.**

We may be involved in legal proceedings, claims and commercial or contractual disputes that may, from time to time, be significant. These are typically claims that arise in the ordinary course of business, including, without limitation, commercial or contractual disputes, including warranty claims and other disputes with customers and suppliers; intellectual property matters; personal injury claims; environmental issues; tax matters; and employment matters. Any claims, disputes and legal proceedings brought against us, with or without merit, could result in substantial costs and diversion of resources. Unfavorable determination or judgment arising from such claims, disputes and legal proceedings could damage our reputation. Furthermore, claims, disputes and legal proceedings against us may be due to defective raw materials and production equipment purchased from our suppliers, who may not be able to indemnify us for costs resulting from such claims, disputes and legal proceedings in a timely manner, or at all.

**Our intellectual property portfolio exposes us to certain risks, which could have a material adverse effect on our business, financial condition and results of operations.**

Our intellectual property portfolio mainly includes trademarks and domain name, design patents along with technological know-how and trade secrets in relation to production. Our intellectual property and unpatented proprietary technology are critical to our production and competitive edge. Our competitors may develop technologies that are similar or superior to our proprietary technologies or design around the patents that we own or license. Further, as we expand our operations in jurisdictions where the protection of intellectual property rights is less robust, the risk of others duplicating our proprietary technologies increases. There can be no assurance that we would be able to effectively protect our intellectual property rights or enforce such rights in the PRC where we principally operate. We may need to input a large amount of resources for litigation to protect our intellectual property rights against unauthorized infringement. Unauthorized use of our intellectual property rights or our inability to preserve our existing intellectual property rights could adversely affect our competitive position and results of operations.

---

## RISK FACTORS

---

Moreover, we sell certain of our products under our brand “BYW”. While we have registered the trademark for  in the PRC, the European Union, the United States, Russia and Hong Kong, third parties may from time to time in the future oppose to our trademark application, seek to cancel our registered trademarks, or otherwise challenge our use of the trademarks. In the event that our trademark applications or registrations are successfully challenged, we could be forced to rebrand our products and services, which could result in loss of brand recognition, require us to devote resources to advertising and marketing a new brand, harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

**We may experience natural disasters, changing climate, political unrest and terrorist attacks.**

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. Occurrences of natural disasters, as well as accidents and incidents of adverse weather in or around our warehouses, sourcing offices or suppliers may materially and adversely affect our business and results of operations.

Changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event occurs in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services and products to our customers and could reduce demand for our products. Significant time could be required to resume our operations and our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

As a majority part of our revenue is derived from sales to overseas countries and territories, this could create uncertainties in our business. Political unrest or terrorist attacks in overseas countries and territories may cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

**The tax refund that is currently applicable to our PRC subsidiary may be changed or discontinued, which may adversely affect our business, financial condition and results of operations.**

During the Track Record Period, refund of value-added tax (the “VAT”) incurred on raw materials used for our production in the PRC, which products were subsequently exported to overseas countries, was applicable to us. For the Track Record Period, such tax refund rate was approximately 13% to 16%. The amount of VAT refund received by us were approximately RMB21.1 million, RMB18.4 million, RMB21.7 million and RMB5.9 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. There is no assurance that PRC governmental policies on tax refund will remain unchanged or that the current policies we benefit from will not be cancelled, suspended or amended in the future. Expiration or termination of, or other adverse changes to, together with uncertainty resulting from, any of these tax refund policies could adversely affect our business, financial condition and results of operations.

---

## RISK FACTORS

---

**We may not be able to continue to obtain government grants, which are non-recurring in nature.**

For the years ended December 31, 2019, 2020 and 2021 and five months ended May 31, 2022, we received government grants of approximately RMB2.1 million, RMB2.5 million, RMB0.9 million and RMB0.1 million, respectively, which were recognized as our other revenue. Government grants are recognized in the statement of financial position initially when there is reasonable assurance that the grants will be received and that we will comply with the conditions attaching to them. The government grants we received during the Track Record Period includes financial subsidies related to various aspects of our operations from branches of local governments in the PRC which are dependent on the governments allocation. Moreover, since there can be unexpected changes in the laws, regulations and governmental policies of the PRC, we face uncertainty relating to the availability of government grants and we cannot guarantee that we will record such income of similar amount, or at all, in the future. Any eliminations or alterations to any of the incentives provided to us by the PRC government would have an adverse effect on our financial performance and results of our operations.

**We may not be able to fulfill our obligations in respect of contract liabilities, which may have an adverse impact on our business, reputation and cash and/or liquidity position.**

Our contract liabilities were related to the receipts in advances from our customers which were outstanding contractual performance obligation to sales of products. We had contract liabilities of RMB3.8 million, RMB6.8 million, RMB3.8 million and RMB3.6 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. We recognize contract liabilities as revenue once our obligations have been performed under the relevant contracts. If we have difficulty or fail to perform our obligations under contracts with our customers, we may need to refund a portion or all of our contract liabilities not yet recognized as revenue to our customers, which could expose us to the risk of shortfalls in liquidity and adversely affect our relationships with customers. Such events may have a material adverse effect on our business, reputation and cash and/or liquidity position.

**We are uncertain about the recoverability of our deferred tax assets.**

We are required to make judgments, estimates and assumptions about the recognition of our deferred tax assets. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we had deferred tax assets of RMB1.1 million, RMB0.6 million, RMB0.9 million and RMB1.5 million, respectively. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available to utilize those temporary differences and tax losses. This requires significant judgment on the tax treatments of certain transactions and also an assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. The realization of deferred income tax assets depends primarily on our estimate of whether sufficient future profits will be available. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may have a material adverse effect on our financial condition in the future.

---

## RISK FACTORS

---

### RISKS RELATING TO DOING BUSINESS IN THE PRC

**Our business and ability to remit payments and distribute dividends are subject to fluctuations in the exchange rates of Renminbi and governmental control of currency conversion.**

During the Track Record Period, we generated the majority of our revenue from sales to the overseas market. Revenue generated in the overseas market for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 accounted for approximately 74.8%, 72.6%, 66.2% and 60.2% of our total revenue in the same periods, respectively. All of such sales were denominated in foreign currencies, and in particular U.S. dollars. Conversely, we procure all our raw materials in the PRC in transactions denominated in Renminbi. To the extent that we need to convert our revenue from U.S. dollars or other foreign currencies into Renminbi to pay our operating costs, appreciation of the Renminbi against the U.S. dollar or other foreign currency would reduce the RMB value of our revenue denominated in U.S. dollar and decrease assets.

The exchange rates of the Renminbi against foreign currencies, including the U.S. dollar and Euro, are affected by factors including changes in the PRC's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including the U.S. dollar and Euro, has been based on rates set based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. We recognized net foreign exchange gain of approximately RMB1.1 million in 2019, net foreign exchange loss of approximately RMB4.7 million in 2020, net foreign exchange loss of approximately RMB2.4 million in 2021 and net foreign exchange gain of approximately RMB3.2 million in the five months ended May 31, 2022, respectively. There can be no assurance that the PRC government will not make further adjustments to the exchange rate system in the future. Any fluctuation in exchange rates of the Renminbi against the U.S. dollar and Euro, or other foreign currencies may render our costs for importing raw materials, machinery and equipment and our operating costs to be volatile. In addition, fluctuation in foreign exchange rates may impact the value of, and any dividends payable on, the Shares in Hong Kong dollars. Therefore, unfavorable changes in exchange rates may materially and adversely affect our business, financial condition, and results of operations.

**China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.**

Most of our assets are located in China, and we derive a significant portion of our revenue from our operations in China. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. Since the second half of 2008, the global economic slowdown, continued weakness in the United States economy and the sovereign debt crisis in Europe have collectively added downward pressure to China's economic growth. Although China's economy has gone through a period of fast growth in the last several years, the growth of China's economy is expected to slow down in the next few years. If the business environment in China deteriorates as a result of the slowdown in China's economic growth, our business in China may be materially and adversely affected.

---

## RISK FACTORS

---

### **Uncertainties with respect to China’s legal system could materially and adversely affect us.**

PRC laws and regulations govern our operations in China. In particular, our operating subsidiary is organized under PRC laws. China’s legal system is based on written statutes. Prior court decisions may be cited for reference by judges out of discretionary consideration under certain circumstances but have limited precedential value. The PRC government has promulgated laws and regulations over the past 20 years regarding matters such as corporate organization and governance, issuance and trading of securities, shareholders’ rights, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new and are subject to different interpretations and applicability and may be inconsistently implemented and enforced. In addition, only a limited volume of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to us, and can adversely affect us.

### **Under the EIT Law and other PRC tax laws, we may be classified as a “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.**

Under the *Enterprise Income Tax Law of the People’s Republic of China* (《中華人民共和國企業所得稅法》) (“EIT Law”), which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, respectively, an enterprise established outside the PRC with “de facto management body” within the PRC is considered a “resident enterprise,” meaning that it can be treated as a Chinese enterprise for PRC enterprise income tax purpose and subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The implementation rules of the EIT Law define “de facto management bodies” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. The *Notice on Determination of Tax Resident Enterprises of Chinese-controlled Offshore Incorporated Enterprises in Accordance with Their De Facto Management Bodies* (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), was issued by the SAT on April 22, 2009, with effect from January 1, 2008 and was amended on December 29, 2017. Moreover, whether or not a Chinese-controlled offshore enterprise is an offshore-registered resident enterprise is subject to preliminary review by the local tax bureau on where the “de facto management body” of the Chinese-controlled offshore enterprise or its controller is based and is subject to final confirmation by the provincial level tax bureau.

Currently, we are not deemed to be “resident enterprise” for PRC enterprise income tax purpose, but it is possible that the PRC tax authorities will determine that our Company is a “resident enterprise” for PRC enterprise income tax purpose in the future. If and when we are determined to be a “resident enterprise”, we would be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. By comparison, there is no taxation on such income in the Cayman Islands. In addition, if we are treated as a PRC “resident enterprise” under PRC law, our foreign corporate Shareholders may be subject to PRC income tax on the capital gains realized from the sale of our Shares, and dividends paid to non-PRC residents with respect to our Shares may be subject to PRC withholding tax as such income may be regarded as income from “sources within the PRC.”

In connection, pursuant to the *Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect*

---

## RISK FACTORS

---

to *Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**PRC-HK Tax Arrangement**”) effective on December 8, 2006, the withholding tax rate for dividends paid by a PRC resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the capital of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%. According to the *Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated on February 20, 2009, and effective on the same day, the corporate recipient of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. The SAT issued the *Announcement of the State Administration of Taxation on Issues concerning the “Beneficial Owner” in Tax Treaties* (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) effective on April 1, 2018, and the *Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers* (《非居民納稅人享受協定待遇管理辦法》) effective on January 1, 2020. Pursuant to these regulations, non-resident taxpayers should judge by themselves whether they are entitled to the treatment of the tax convention, and obtain such entitlement themselves at the time of making tax declarations, or at the time of making withholding declarations via withholding agents. At the same time, they shall collect, gather and retain relevant materials for future reference in accordance with the provisions of these measures, and shall accept the follow-up administration of tax authorities. However, the “beneficial owner” specified in the PRC-HK Tax Arrangement shall be a person who owns or controls income or the rights or property based on which the income is generated. In addition, if transactions or arrangements are deemed by the relevant tax authorities to be entered into mainly for the purpose of enjoying favorable tax treatments under the PRC-HK Tax Arrangement, such favorable tax treatments may be subject to adjustment by the relevant tax authorities in the future.

**The enforcement of the Labor Contract Law and increase in staff costs in the PRC may adversely affect our business and our profitability.**

China adopted a new Labor Contract Law which became effective on January 1, 2008 and was amended on July 1, 2013 and its implementation rules effective on September 18, 2008. The Labor Contract Law and its implementation rules impose more stringent requirements on employers with regard to, among others, minimum wages, economic compensations and non-fixed term employment contracts, time limits for the probation period as well as the duration and the times that an employee can be placed on a fixed term employment contract. Due to the lack of clarity with respect to the implementation of the Labor Contract Law, its implementation rules and its potential penalties and fines, it is uncertain how they will impact our current employment policies and practices. If our employment policies and practices violate the Labor Contract Law or its implementation rules, we may be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective or desirable, which could materially and adversely affect our business and results of operations.

**Discrepancy in contributions to various employee benefit plan as required by PRC laws and regulations may subject us to penalties.**

Pursuant to PRC laws and regulations, we are required to participate in various employee benefit plans, including the social insurance funds which include pension insurance, unemployment insurance, medical

---

## RISK FACTORS

---

insurance, work-related injury insurance and maternity, and the housing provident fund. During the Track Record Period, we have not registered for and/or fully contributed to certain social insurance funds and housing provident fund for certain employees pursuant to the relevant PRC laws and regulations governing PRC employee benefits.

We had made provision 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. As of 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. However, there can be no assurance that the relevant local government authorities will not require us to pay the discrepancy within a prescribed time or impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

### **Payment of dividends is subject to restrictions under PRC laws.**

We are a holding company incorporated in the Cayman Islands, and we operate our business through our operating subsidiary in the PRC. We may rely on distributions to us by our PRC subsidiary for part of our funding, including paying dividends to our Shareholders and to service any debt we may incur. Under PRC laws, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC Generally Accepted Accounting Principles (“GAAP”) less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make by the PRC law. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including periods in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under HKFRSs in certain respects, our operating subsidiary may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under HKFRSs, or vice versa. Our funds available for distribution as cash dividend may also be affected by the PRC legal requirements on maintaining a general reserve fund by companies and certain individual funds by foreign invested enterprises. Additionally, factors such as, cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our PRC subsidiary's ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Accordingly, we may not receive sufficient distributions from our subsidiary. Failure by our operating subsidiary to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable. Distributions by our PRC subsidiary to us in forms other than dividends may also be subject to government approvals and taxes.

---

## RISK FACTORS

---

**It may be difficult to effect service of process upon, or to enforce judgments against, our Directors or members of our senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.**

Substantially all our assets and operations are located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon our Company, Directors and senior management members, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions are uncertain.

The PRC is a signatory to the *United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the “**New York Convention**”) which had historically permitted reciprocal enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries. On June 18, 1999, an arrangement was made between Hong Kong and the PRC for mutual enforcement of arbitration awards. This new arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000.

**Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to overseas investment and financing activities and return investment by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under the PRC laws.**

*Notice on the Administration of Foreign Exchange for Overseas Investment and Financing as well as Return Investment of Domestic Individuals via Special Purpose Company* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Notice No. 37**”), which was promulgated by SAFE and became effective on July 4, 2014, and the *Notice on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Notice No. 13**”), issued on February 13, 2015 requires a PRC individual resident (“**PRC Resident**”) to register with the local banks before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Offshore SPV**”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local banks for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of Notice No. 37 and Notice No. 13 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

It is unclear how Notice No. 37 and Notice No. 13 and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategies. As of the Latest Practicable Date, to the best knowledge of our Directors, our PRC resident shareholders, namely, Mr. Xu and

---

## RISK FACTORS

---

Ms. Chen, with offshore investments in our Group had completed initial registration with banks as to their offshore investments in TopSun in accordance with Notice No. 37 and Notice No. 13. Any failure by our PRC resident shareholders or beneficial owners to make the registrations or updates with SAFE and the local banks may subject the relevant PRC resident shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operations and liquidity as well as our ability to pay dividends or make other distributions to our shareholders may be materially and adversely affected.

**The PRC tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments and the value of your investment in our Company.**

According to the *Announcement of SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises* (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”) which was promulgated by the SAT and became effective on February 3, 2015, revised on December 1, 2017 and December 29, 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by transfer of the equity interests of an offshore holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in the public securities market) without a reasonable commercial purpose, PRC tax authorities have the power to reassess the nature of the transaction and the indirect equity transfer may be treated as a direct transfer. As a result, the gain derived from such transfer, which means the equity transfer price less the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%.

Under the terms of Circular 7, a transfer which meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes if:

- over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties;
- at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territories, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territories;
- the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; or
- the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

On October 17, 2017, the SAT issued the *Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises* (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**Announcement 37**”), which took effect on December 1, 2017 and amended on June 15, 2018. Announcement 37 purports to provide further clarifications by setting forth the definitions of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of the withholding amount and the date on which the withholding obligation arises.

---

## RISK FACTORS

---

Specifically, Announcement 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in installments, the installments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld.

There is uncertainty as to the application of Circular 7 and Announcement 37. Circular 7 and Announcement 37 may be determined by the PRC tax authorities to be applicable to transfers of our shares that involve non-resident investors, if any of such transactions were determined by the tax authorities to lack a reasonable commercial purpose.

**Our business may be subject to various evolving PRC laws and regulations regarding cybersecurity, the non-compliance of which could subject us to penalties, and harm our business and results of operations.**

Laws and regulations related to cybersecurity are relatively new and evolving in the PRC, the interpretation and enforcement of which involve significant uncertainties. On December 28, 2021, the Cyberspace Administration of China (“CAC”) and other twelve PRC regulatory authorities jointly revised and promulgated the *Cybersecurity Review Measures* (“**Cybersecurity Review Measures**”, 《網絡安全審查辦法》) which has come into effect on February 15, 2022. The Cybersecurity Review Measures require that if the procurement of network products and services by a “critical information infrastructure operator” and the data processing activities of a “network platform operator” affect or may affect national security, it shall apply for cybersecurity review to the Cybersecurity Review Office. In addition, on November 14, 2021, the CAC published a discussion draft of the *Regulations on the Administration of Cyber Data Security (Draft for Comments)* (“**Draft Cyber Data Security Regulations**”, 《網絡數據安全管理條例(徵求意見稿)》). The Draft Cyber Data Security Regulations specifically require that if the listing in Hong Kong by a data processor affects or may affect national security, the data processor shall apply for cybersecurity review in accordance with the relevant PRC laws and regulations. For more details, please refer to the paragraph headed “Regulatory Overview – 12. Cybersecurity and Data Security Regulation” in this prospectus.

The Draft Cyber Data Security Regulations were released for public comment only and its operative provisions and the anticipated adoption or effective dates may be subject to change with substantial uncertainty. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. If the enacted version of the Draft Cyber Data Security Regulations mandates or any PRC regulatory authority requires that we shall complete clearance of cybersecurity review or other specific actions, we will face uncertainties as to whether such clearance can be timely obtained, or at all. Any failure to complete or delay in completion of these processes may subject us to government enforcement actions and investigations, fines, penalties, among other sanctions, which could materially and adversely affect our business and results of operations.

**We may be required to complete the filing with the CSRC for the Listing and subject to additional regulatory requirements if certain new draft regulations in relation to overseas listing are implemented in China.**

On December 24, 2021, the CSRC published the *Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (“**Draft Administrative Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《境內企業境外發行

---

## RISK FACTORS

---

證券和上市備案管理辦法(徵求意見稿)》) (“**Draft Measures for Filing**”, together with the Draft Administrative Provisions, “**Drafts relating to Overseas Listings**”), which are open for public comments until January 23, 2022. The Drafts relating to Overseas Listings require, among others, that PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted. For more details, please refer to the paragraph headed “Regulatory Overview – 13. Overseas Listing Regulation” in this prospectus.

As there are still uncertainties regarding the interpretation and implementation of such regulatory guidance, we cannot assure you that we will be able to comply with new regulatory requirements relating to our future overseas capital-raising activities and we may become subject to more stringent requirements with respect to matters including cross-border investigation and enforcement of legal claims. Notwithstanding the foregoing, as of the Latest Practicable Date, the Drafts relating to Overseas Listings have not yet come into force and we are not aware of any PRC laws or regulations currently in effect requiring that we obtain permission from any PRC government authority to issue securities to foreign investors.

### **RISKS RELATED TO THE GLOBAL OFFERING**

**There has been no prior public market for our Shares and there can be no assurance that an active market would develop after the Global Offering.**

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares will be the result of negotiations between our Company and the Sole Overall Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

**The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.**

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- the liquidity and depth of the Shares in the market;
- our financial results;
- changes in securities analysts’ estimates of our financial performance;
- investors’ perceptions of our Group and the general investment environment;
- changes in laws and regulations;
- developments in the aluminum alloy automobile wheel industry;
- changes in pricing policies adopted by us or our competitors;

---

## RISK FACTORS

---

- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- demand and supply of our shares;
- our inability to compete effectively in the market; and
- general political, economic, financial and social development and stock market conditions.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

Based on the Offer Price range, the Offer Price of our Shares is expected to be higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering. Purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible book value per Share. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

**Prior dividend distributions, if any, are not an indication of our future dividend policy.**

During the Track Record Period, we neither declared nor paid any dividends to our equity shareholders. Any of our future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant.

Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For more details of the dividend policy of our Company, please refer to “Financial Information — Dividend Policy” in this prospectus.

**There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of the Shares after trading begins could be lower than the Offer Price.**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days in Hong Kong after the pricing date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of pricing and the time of trading begins.

**Sale, or perceived sale, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.**

We cannot assure you that our Controlling Shareholders will not dispose of any Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

---

## RISK FACTORS

---

### **The availability of Shares for sale in the future could reduce the market price of our Shares.**

In the future, we may issue additional securities to raise capital. We may also acquire interests in other companies by using a combination of cash and our Shares or just our Shares. We may also issue securities convertible into our Shares. Any of these events may dilute your ownership interest in our Company and have an adverse effect on the price of our Shares. In addition, sales of a substantial amount of our Shares in the public market, or the perception that these sales may occur, could reduce the market price of our shares. This could also impair our ability to raise additional capital through the sale of our securities.

### **The ability of shareholders to bring actions or enforce judgments against us or our Directors may be limited.**

We are incorporated under the laws of the Cayman Islands and substantially all of our assets located in the PRC. As a result, a shareholder may not be able to enforce a judgment against us or some or all of the Directors and executive officers outside the PRC. It may not be possible for a shareholder to effect service of process upon the Directors and executive officers within the shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a shareholder will be able to enforce any judgments in civil and commercial matters against the Directors or executive officers who are residents of countries other than those in which judgment is made. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2006 Arrangement**”). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. Under the 2006 Arrangement, a choice of court agreement in writing refers to an agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing.

On January 18, 2019, the Supreme Court of the PRC and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong

---

## RISK FACTORS

---

Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. After a judicial interpretation has been promulgated by the Supreme People's Court and the relevant procedures have been completed by the Hong Kong Special Administrative Region, both sides shall announce a date on which the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

**This prospectus contains certain hypothetical information based on changes relative to historical events and related analysis based on it, and you should not place undue reliance on such information or analysis.**

This prospectus contains certain hypothetical information and analysis based on it, which includes the use of certain accompanying assumptions. Our Company cannot offer assurances that the assumptions would have been true under the hypotheses presented or that the results of these hypothetical changes would have matched the results presented. Given the hypothetical nature of this information and the uncertainty of the assumptions made, the results that would have resulted under these hypotheses might not have occurred in the way we had expected. Accordingly, you should not place undue reliance on the hypothetical information and related analysis included in this prospectus.

**There can be no assurance on the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government sources contained in this prospectus.**

Certain facts, forecasts and other statistics relating to the PRC and other countries and regions and the aluminum alloy automobile wheel markets in the PRC and other countries and regions contained in this prospectus have been derived from various government sources. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and advisors or any other parties involved in the Global Offering and none of them make any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside the PRC. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

### WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our only operating subsidiary and principal operations are in the PRC and we do not have any substantial business activity or operation in Hong Kong and currently all of our executive Directors and senior management ordinarily reside and manage our Group in the PRC, we do not, and, in the foreseeable future, will not have sufficient management presence in Hong Kong and will not be able to satisfy the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules on the condition of the implementation of the following arrangements for maintaining regular and effective communication with the Stock Exchange:

- (a) our Company has appointed Ms. Xu, our deputy chairlady and executive Director, and Ms. Xu Yuelian, one of our joint company secretaries, as the authorized representatives of our Company in accordance with Rule 3.05 of the Listing Rules, who will act as the principal channel of communication between the Stock Exchange and our Company and will be readily contactable by telephone and e-mail;
- (b) each Director has provided his/her mobile phone number, office phone number and email address to the authorized representatives of our Company and the authorized representatives of our Company would be able to contact all Directors promptly at all time as and when the Stock Exchange wishes to contact our Directors for any matter;
- (c) each of our Directors who does not have the right of abode in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time;
- (d) we have appointed Zhongtai International Capital Limited as our compliance advisor in accordance with Rule 3A.19 of the Listing Rules, who will serve as an additional channel of communication with the Stock Exchange for the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing and the compliance advisor will have access at all times to the authorized representatives of our Company and our Directors to ensure that it is in a position to provide prompt responses to any enquiries or requests from the Stock Exchange in relation to our Company; and
- (e) the mobile phone numbers, office phone numbers, e-mail addresses and fax numbers (if available) of each of our Directors have been/will be provided to the Stock Exchange in compliance with Rule 3.20 of the Listing Rules.

### WAIVER IN RELATION TO COMPANY SECRETARIES

Pursuant to Rule 3.28 of the Listing Rules, our company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing “relevant experience”, the Stock Exchange will consider the followings of the individual:

- (i) length of employment with the issuer and other issuers and the roles he played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Xu Yuelian and Ms. Cheung Yuet Fan as the joint company secretaries of our Company. Ms. Xu Yuelian has been the office manager of Buyang Wheel, the only operating subsidiary of our Group, since September 2007 and has extensive experience in handling corporate governance matters, convening meetings and administrative matters of Buyang Wheel and is more familiar with the relevant PRC laws and regulations than a professional company secretarial services provider in Hong Kong. For more details of Ms. Xu Yuelian’s biography, please refer to “Directors and Senior Management — Joint Company Secretaries” in this prospectus.

However, as Ms. Xu Yuelian does not possess the aforementioned academic or professional qualifications, our Company has appointed Ms. Cheung Yuet Fan who is a member of The Hong Kong Chartered Governance Institute, to be the other joint company secretary of our Company. During her term of office, Ms. Cheung will work closely with, and provide assistance to, Ms. Xu Yuelian in the discharge of her duties as a company secretary and will inform Ms. Xu Yuelian on a timely basis of the amendment or supplement to the Listing Rules and any new or amended Hong Kong laws and regulations relevant to us, and provide Ms. Xu Yuelian with training on matters relating to our corporate governance and the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules upon our request. For more details of Ms. Cheung’s biography, please refer to “Directors and Senior Management — Joint Company Secretaries” in this prospectus. In addition, Ms. Xu Yuelian will take no less than 15 hours of relevant professional training in each financial year of our Company in compliance with Rule 3.29 of the Listing Rules.

By the end of the three-year period from the Listing Date, we will conduct an evaluation of the qualification and experience of Ms. Xu Yuelian to determine whether Ms. Xu Yuelian, having had the benefit of Ms. Cheung’s assistance for three years after the Listing Date, would then have acquired the relevant experience required under Rule 3.28 of the Listing Rules, or alternatively, appoint a person who fulfills the requirements under Rules 3.28 of the Listing Rules as the company secretary of our Company.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 3.28 of the Listing Rules for a period of three years from the Listing Date in respect of Ms. Xu Yuelian's appointment as one of the joint company secretaries of our Company on the conditions that:

- (a) Ms. Xu Yuelian must be assisted by a person who possesses the acceptable qualifications set out in Rule 3.28 of the Listing Rules or the relevant experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of our Company throughout the waiver period; and
- (b) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Future (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### INFORMATION ABOUT THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering in Hong Kong.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein. No person is authorized to give any information, or to make any representation in connection with the Global Offering, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives, or any other person or party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Prospective applicants of the Offer Shares should consult their advisors, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction and the legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### Underwriting

The Listing is sponsored by the Sole Sponsor, Zhongtai International Capital Limited, and the Global Offering is managed by the Sole Overall Coordinator and the Sole Global Coordinator, Zhongtai International Securities Limited. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter(s) pursuant to the Hong Kong Underwriting Agreement and it is expected that, subject to agreement between our Company and the International Underwriter(s), the International Underwriting Agreement in relation to the underwriting of the International Placing Shares will be entered. For more details of the underwriting arrangement, please refer to "Underwriting" in this prospectus.

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

### **Restrictions on Sale of the Offer Shares**

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstance in which such an offer or invitation for subscription is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

### **Procedure for Application of the Hong Kong Offer Shares**

The procedure for application for the Hong Kong Offer Shares is set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

### **Structure and Conditions of the Global Offering**

The structure and conditions of the Global Offering is set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

### **Application for Listing on the Stock Exchange**

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the Shares to be issued under the Capitalization Issue and the Global Offering and any Share which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme).

No part of our Group’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application in pursuant of this prospectus will be void if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

### **Shares will be Eligible for Admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or such other date as determined by HKSCC. All necessary arrangements have been made for our Shares to be admitted into CCASS.

Settlement of transactions between participants of the Stock Exchange is currently required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the *General Rules of CCASS* and *CCASS Operational Procedures* in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of those settlement arrangements as such arrangements will affect their rights and interests.

### **Commencement of Dealing in our Shares on the Stock Exchange**

Dealing in our Shares on the Stock Exchange is expected to commence at 9:00 a.m. on Thursday, December 15, 2022 under the Main Board stock code 2457. Shares will be traded in board lots of 5,000 Shares each.

### **Share Registrar and Stamp Duty**

All Shares issued under the Global Offering will be registered in our branch register of members maintained in Hong Kong by the Hong Kong Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

Dealings in our Shares registered in our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

### **Professional Tax Advice Recommended**

Potential investors in the Global Offering are advised to seek advices from their professional advisors for the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or exercising any right in relation to, our Shares. It is emphasized that none of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding, disposal of, dealing in, or exercising any rights in relation to, our Share.

### **Stabilization and Over-allotment Option**

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

For more details of stabilization and the Over-allotment Option, please refer to “Structure and Conditions of the Global Offering — Over-allotment Option” and “Structure and Conditions of the Global Offering — Stabilization” in this prospectus.

### INFORMATION ABOUT THIS PROSPECTUS

#### Language

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

The translation of the names of certain laws, regulations, publications, governmental authorities, institutions, legal entities and natural persons in this prospectus for which no official English name is available are unofficial translations and for your reference only.

#### Exchange Rate

Solely for your convenience, this prospectus contains translations of certain RMB amounts into HK\$ at specified rates. You should not construe these translations as representations that the amounts in one currency could actually be, or have been, converted into another currency at the rates indicated or at all.

Unless indicated otherwise, the translations between RMB and HK\$ in this prospectus have been made at the rate of HK\$1.00:RMB0.8722 for illustrative purpose only.

#### Roundings

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments. Where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise; and amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise.

Accordingly, totals of rows or columns of numbers in tables may not equal to the apparent total of the individual items; or alternatively, breakdown of amounts and percentage may be adjusted such that the arithmetic sum of such breakdown equals to the total of such amount or percentage.

#### Website

The contents of any website mentioned in this prospectus do not form part of this prospectus.

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Ms. Xu Jingjun (徐璟琚女士) (Deputy chairlady)	Terraced House No. 88, Jinshuiwan Phase 4 Jinshui Road Jiangnan Jiedao Yongkang City Zhejiang Province, PRC	Chinese
Mr. Ying Yonghui (應永暉先生) (Chief executive officer)	Room 201, Unit 3 Block 9, Jinshuiwan Jinshui Road Jiangnan Jiedao Yongkang City Zhejiang Province, PRC	Chinese
Ms. Hu Huijuan (胡惠娟女士)	10 Zhengfang Road Zhengya Village, Gushan Town Yongkang City Zhejiang Province, PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Xu Buyun (徐步雲先生) (Chairman)	Terraced House No. 88, Jinshuiwan Phase 4 Jinshui Road Jiangnan Jiedao Yongkang City Zhejiang Province, PRC	Chinese
Mr. Zhu Ning (朱寧先生)	Room 1103, Unit 1 Block 11, Zijing Garden Ziwei Road North Xicheng Jiedao Yongkang City Zhejiang Province, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Fu Yi (傅夷先生)	Room 1102, Unit 1 Block 6, Shenhuafu Tangping Road Gongshu District Hangzhou Zhejiang Province, PRC	Chinese
Mr. Yeung Man Simon (楊敏先生)	Flat D, 16/F, Block 7 Sceneway Garden 8 Sceneway Road Lam Tin, Kowloon Hong Kong	Chinese

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

Mr. Chen Jingeng (陳晉廣先生)

Room 2605, Block A  
Meili Yuan  
1018 Hongling Zhonglu  
Luohu District  
Shenzhen City  
Guangdong Province, PRC

Chinese

For more details of our Directors, please refer to “Directors and Senior Management” in this prospectus.

### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Sole Sponsor

**Zhongtai International Capital Limited**  
19F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

#### Sole Overall Coordinator, Sole Global Coordinator and Sole Sponsor–OC

**Zhongtai International Securities Limited**  
19F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

#### Joint Bookrunners

**Zhongtai International Securities Limited**  
19F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**BOCOM International Securities Limited**  
9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

**SPDB International Capital Limited**  
33/F, SPD Bank Tower  
One Hennessy  
1 Hennessy Road  
Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**  
29-30/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**CEB International Capital Corporation Limited**  
22/F, AIA Central  
No.1 Connaught Road Central  
Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

**China PA Securities (Hong Kong) Company Limited**

Units 3601, 07 & 11-13, 36/F

The Center

99 Queen's Road Central

Hong Kong

**Southwest Securities (HK) Brokerage Limited**

14/F, One Hysan Avenue

Causeway Bay

Hong Kong

**First Shanghai Securities Limited**

19/F Wing On House

71 Des Voeux Road Central

Hong Kong

**China Tonghai Securities Limited**

18/F & 19/F, China Building

29 Queen's Road Central

Hong Kong

**Zheshang International Financial Holdings Co., Limited**

Room 4405, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

**ZMF Asset Management Limited**

2502 World Wide House

19 Des Voeux Road Central

Hong Kong

**Joint Lead Managers**

**Zhongtai International Securities Limited**

19F

Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

**BOCOM International Securities Limited**

9/F, Man Yee Building

68 Des Voeux Road Central

Hong Kong

**SPDB International Capital Limited**

33/F, SPD Bank Tower

One Hennessy

1 Hennessy Road

Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**

29-30/F Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

**CEB International Capital Corporation Limited**

22/F, AIA Central  
No.1 Connaught Road Central  
Hong Kong

**China PA Securities (Hong Kong) Company Limited**

Units 3601, 07 & 11-13, 36/F  
The Center  
99 Queen's Road Central  
Hong Kong

**Southwest Securities (HK) Brokerage Limited**

14/F, One Hysan Avenue  
Causeway Bay  
Hong Kong

**First Shanghai Securities Limited**

19/F Wing On House  
71 Des Voeux Road  
Central  
Hong Kong

**China Tonghai Securities Limited**

18/F & 19/F, China Building  
29 Queen's Road Central  
Hong Kong

**Zheshang International Financial Holdings Co., Limited**

Room 4405, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

**ZMF Asset Management Limited**

2502 World Wide House  
19 Des Voeux Road Central  
Hong Kong

**West Bull Securities Limited**

2701-2703, 27/F, Infinitus Plaza  
199 Des Voeux Rd Central  
Sheung Wan, Hong Kong

**Goldlink Securities Limited**

28/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road, Wanchai  
Hong Kong

**Sunhigh Financial Holdings Limited**

Unit D, 21/F, Yardley Commercial Building  
3 Connaught Road West  
Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### Legal Advisors to our Company

*As to Hong Kong law:*

**King & Wood Mallesons**  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

**Mr. Brian T.Y. Lo**

1710 Eastern Harbour Centre  
28 Hoi Chak Street  
Quarry Bay  
Hong Kong

*As to PRC law:*

**King & Wood Mallesons Beijing**  
18th Floor, East Tower  
World Financial Center  
1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing  
PRC

*As to Cayman Islands law:*

**Conyers Dill & Pearman**  
29th Floor  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*As to English law:*

**KWM Europe LLP**  
9th Floor  
24 Monument Street  
London  
EC3R 8AJ

*As to Japanese law:*

**King & Wood Mallesons Law Offices  
(Foreign Law Joint Enterprise)**  
21st Floor, Marunouchi Nijubashi Building  
3-2-3 Marunouchi, Chiyoda-ku  
Tokyo 100-0005  
Japan

*As to Lithuanian law:*

**TGS Baltic**  
Konstitucijos Avenue  
21a, LT-08130  
Vilnius  
Lithuania

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

*As to Taiwanese law:*

**Lee and Li, Attorneys-at-Law**  
8F, No. 555, Sec. 4, Zhongxiao E. Rd.  
Taipei 11072, Taiwan, R.O.C.

*As to UAE law:*

**Trench & Associates DMCC**  
Office 712  
Preatoni Tower  
Cluster L, Jumeirah Lake Towers  
P.O Box 21823  
Dubai  
UAE

*As to U.S. law:*

**Yuan Law Group PC**  
43 West 43rd Street  
Suite 36  
New York  
NY 10036-7424  
U.S.

*As to Saudi Arabian law:*

**The Law Firm of Wael Alissa in association with Dentons & Co.**  
Al Murjanah Tower, Level 7  
Corner of Prince Sultan St. and Alkayyal St.  
PO Box 48271  
Jeddah 23423  
Kingdom of Saudi Arabia

*As to Nigerian law:*

**Jackson, Etti & Edu**  
RCO Court  
3-5 Sinari Daranijo Street  
Off Ajose Adeogun  
Victoria Island  
Lagos, Nigeria

*As to international sanction law:*

**Hogan Lovells**  
11th Floor, One Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

**Legal Advisors to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong law:*

**Hastings & Co.**  
5th Floor, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

*As to PRC law:*

**Jingtian & Gongcheng**  
Suite 45/F, K.Wah Centre  
1010 Huaihai Road (M)  
Xuhui District, Shanghai  
PRC

**Auditors and Reporting Accountants**

**KPMG**  
*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**  
1018, Tower B  
500 Yunjin Road  
Shanghai  
PRC

**Receiving Bank**

**Industrial and Commercial Bank of China (Asia) Limited**  
33/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

---

## CORPORATE INFORMATION

---

<b>Registered Address</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands
<b>Principal Place of Business in Hong Kong</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Headquarters and Principal Place of Business in the PRC</b>	8 Buyang Road Xicheng Jiedao Yongkang City Zhejiang Province, PRC
<b>Website Address</b>	bywheel.com <i>(The contents of the website do not form a part of this prospectus)</i>
<b>Joint Company Secretaries</b>	<b>Ms. Xu Yuelian</b> 8 Buyang Road Xicheng Jiedao Yongkang City Zhejiang Province, PRC  <b>Ms. Cheung Yuet Fan</b> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Authorized Representatives</b> <i>(for the purpose of the Listing Rules)</i>	Ms. Xu Jingjun Ms. Xu Yuelian
<b>Authorized Representative</b> <i>(for the purpose of the Companies Ordinance)</i>	Ms. Cheung Yuet Fan
<b>Audit Committee</b>	Mr. Yeung Man Simon ( <i>Chairman</i> ) Mr. Fu Yi Mr. Chen Jingeng
<b>Remuneration Committee</b>	Mr. Chen Jingeng ( <i>Chairman</i> ) Ms. Xu Jingjun Mr. Fu Yi
<b>Nomination Committee</b>	Mr. Xu Buyun ( <i>Chairman</i> ) Mr. Fu Yi Mr. Chen Jingeng

---

## CORPORATE INFORMATION

---

**Principal Share Registrar and  
Transfer Officer**

**Conyers Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong Share Registrar**

**Tricor Investor Services Limited**  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

**Compliance Advisor**

**Zhongtai International Capital Limited**  
19F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Principal Bank**

**Bank of China Limited, Yongkang Branch**  
28 Lizhou Zhonglu  
Yongkang City  
Zhejiang Province, PRC

---

## INDUSTRY OVERVIEW

---

*The information that appears in this Industry Overview contains information and statistics on the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan, an Independent Third Party which we commissioned. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, supervisors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy.*

### OVERVIEW OF GLOBAL AND CHINA AUTOMOBILE INDUSTRY

The global production volume of automobile world witnessed a consecutive 4 years of decline and decreased to 76.3 million units in 2020, mainly attributable to the weakening demand in Europe and China, the two largest automobile markets. In 2020, impacted by COVID-19 pandemic globally, the automobile industry saw a further sharp decrease. The global automobile production volume in 2020 decreased by 16% when compared to 2019. In 2021, due to the adverse impact of COVID-19, global automobile production remained at a very low level, achieving only a 3.6% year-on-year growth from 2020. In 2022, as most economies internationally have significantly eased their quarantine measures which were previously imposed due to COVID-19, it is expected that the global automobile production will recover at a fast pace and will rebound to pre-pandemic level in 2023. It is anticipated that the global production volume of automobile will maintain the recovery trend from 2022 to 2026 and will reach 97.6 million units in 2026, representing a CAGR of 4.3% from 2021 to 2026.

Driven by the global sales volume of automobiles maintaining at a high level in spite of fluctuations for the past several years, the global volume of automobiles in use grew from 1,375.1 million units in 2017 to 1,500.3 million units in 2021 at a CAGR of 2.2%. Impacted by COVID-19 pandemic globally, global demand for automobile consumption was suppressed in 2020. Both production and sales volume reached to a historical low point during the past 4 years since 2017 and the market will not recover to its 2019 level until 2023. The global volume of automobiles in use is expected to grow at a CAGR of 1.9% from 1,500.3 million units in 2021 to 1,649.9 million unit in 2026.

Similarly, in 2020 the COVID-19 outbreak significantly impacted the automobile production in China with many factories of automobile parts suppliers and OEMs shutting down. In the first two months of 2020, the automobile production and sales in China declined by 41.9% and 45.6% to 2.2 million units and 2.1 million units, respectively, on a year-to-year basis. However, the full-year production volume only experienced a 1.9% year-on-year decline and went back to upward trend in 2021, which was above market expectation. Major reasons include: (i) China had COVID-19 under effective control since the second quarter and economic activities resumed normal operation quickly; and (ii) continuous investment into infrastructure construction strongly stimulated the market demand for commercial automobiles. Going forward, driven by continuous growth of macro economy and urbanization process, recovery of automobile industry will regain its growth momentum, and the automobile production volume in China will reach 30.4 million units in 2026, representing a CAGR of 3.1% from 2021 to 2026.

Driven by the stable growing GDP, per capita annual disposable income and tremendous market potential originating from the relatively low penetration rate as compared with that of developed countries, especially

---

## INDUSTRY OVERVIEW

---

strong demands from lower tier cities, the volume of automobiles in use in China soared from 217.4 million units in 2017 to 287.9 million units in 2021 with a CAGR of 7.3%. In the next five years, driven by the anticipated increase of annual sales volume of new automobile in China, the automobile in use in China will maintain a growth trend in the coming years. The volume of automobiles in use in China is expected grow from 287.9 million units in 2021 to 368.0 million units in 2026, representing a CAGR of 5.0% from 2021 to 2026.

### **Key Market Drivers of Global Automobile Industry**

The key drivers of the global automobile industry include: (1) strong governmental policy support to the industry in many countries, especially in the emerging and big markets, for instance, China and India, to support domestic automobile manufacturers and attract foreign investment respectively; (2) the globally increasing urbanization rate has led to increases in infrastructure investment and in turn result in stronger demand for vehicles and vehicle-related products and; (3) the rapid development of new energy vehicles (“NEV”) resulting from various governments’ environmental protection incentive. The increase in new automobile production is anticipated to mainly come from NEV as major economies have issued a series of stimulus policies to promote the consumption of NEV, including tax exemption, purchase subsidy, charging infrastructure and battery swapping station construction to lower the acquisition cost and make daily use of NEV more convenient. Lower cost and convenience of NEV will likely attract more potential customers and expand the automobile consumer base globally, making NEV the largest growth point of global automobile industry in the future.

### **Key Development Trends of Global Automobile Industry**

The key development trends of global automobile industry include: (1) the emerging of autonomous driving worldwide is expected to create an entire new ecosystem; (2) the further proliferation of electric vehicles underpinned by the government stimulus, increasing willingness and familiarity of electrical vehicles and advancement of battery technologies to address range anxiety issues, along with the deployment of critical charging infrastructure; (3) the development of more connected vehicles is considerably improving the user experience and enhancing the level of personalization throughout automobile manufacturing and driving experiences; (4) lightweight materials such as high-strength steel, magnesium (Mg) alloys, aluminum (Al) alloys are expected to replace the traditional materials to reduce vehicle weight and thus to further improve fuel economy; and (5) the boomed aftermarket e-retailers which are expected to replicate the same in automobile part sales, posing a major threat to traditional distributors/retailers leveraging on aftermarket e-retailers’ low margin and high volume strategy.

### **Key Market Drivers of Automobile Industry in China**

The main drivers of the automobile industry in China include: (1) strong demands from lower tier cities and rural areas, which have a much lower penetration rate and more market potentials compared with the first tier cities such as Beijing and Shanghai; (2) overall lower penetration rate as compared with that of developed countries; (3) government’s policies to stimulate consumption. For instance, on January 28, 2019, the PRC central government issued “the Implementation Plan for Promoting Steady Growing Consumption and Fostering a Huge Domestic Market through Further Carrying Out the Supply Side”, which has emphasized to improve vehicles sales by various means, including promoting incentives of scrapping vehicles, vehicle upgrade in rural areas, optimization of NEV subsidy policies and development of used car market; and (4) increasing number of car in use and changes in automobile usage habits and consumer preferences including increasing emphasis on personalized

## INDUSTRY OVERVIEW

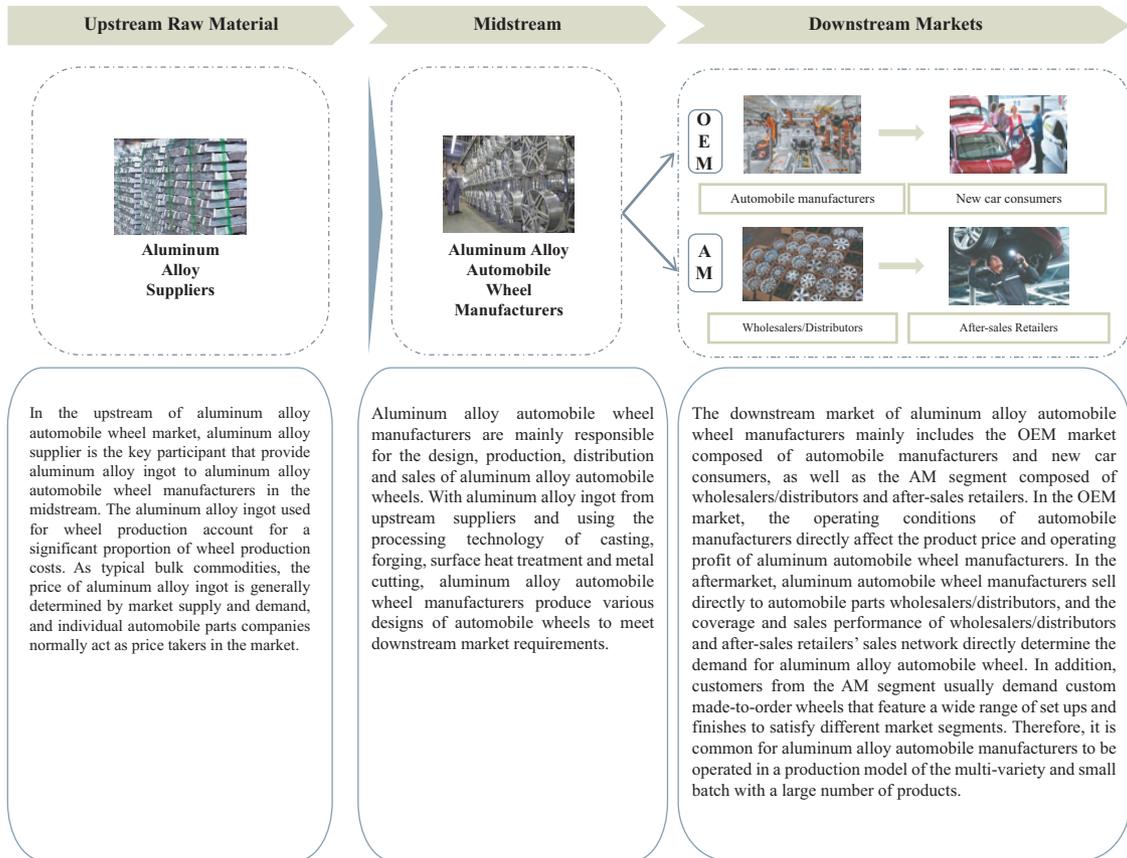
needs in automobile design, function and performance driven by the trend of modification culture, awareness related to vehicle maintenance and safety, as well as the rising income level have promoted the development of the aftermarket.

### Key Development Trends of Automobile Industry in China

The key development trends of the automobile industry in China include: (1) the accelerating growth of the automobile modification market; (2) the continuous development of NEVs; and (3) increasing cooperation with E-commerce platform.

### OVERVIEW OF GLOBAL AND CHINA ALUMINUM ALLOY AUTOMOBILE WHEEL MARKET

#### Value Chain



*Source: Frost & Sullivan*

Aluminum alloy automobile wheel manufacturers are mainly responsible for the design, production, distribution and sales of aluminum alloy automobile wheels. With aluminum alloy ingot from upstream suppliers and utilizing the processing technology of casting, forging, surface heat treatment and metal cutting, aluminum alloy automobile wheel manufacturers produce various designs of automobile wheels to meet downstream market requirements.

---

## INDUSTRY OVERVIEW

---

The aluminum alloy ingot used for wheel production account for a significant proportion of wheel production costs. As typical bulk commodities, price of aluminum alloy ingot is generally determined by market supply and demand, and individual automobile parts companies normally act as price takers in the market.

Based on customer type, the market of aluminum alloy automobile wheel market can be segmented into OEM segment which is driven by new car production, and aftermarket resellers segment which is driven by modification demands from passenger cars in operation. The downstream customers of aluminum alloy automobile wheel industry mainly include OEM market, composed of automobile manufacturers and new car consumers, as well as customers in the AM segment, composed of wholesalers, distributors and after-sales retailers. In the OEM market, the operating conditions of automobile manufacturers directly affect the product price and operating profit of aluminum automobile wheel manufacturers. In the aftermarket, aluminum automobile wheel manufacturers sell directly to automobile part wholesalers or distributors and the coverage and sales performance of such wholesalers or distributors and after-sales retailers' sales network directly determine the demand for aluminum alloy automobile wheels.

### **Classification and Characteristics**

An automobile wheel locates between the tire and the axle with its main structure consists of the rim and spokes. Wheel bears the vehicle's vertical load, driving torque and various stresses generated during driving process. Because the wheel is a high-speed rotary part, it requires high production accuracy with small deviation in balance. In terms of material properties, high stiffness and fatigue strength are required for wheels.

Depends on materials used, wheel products can be mainly divided into aluminum alloy automobile wheel and steel wheel. Aluminum alloy automobile wheels have the following advantages: (1) light weight and good fuel efficiency; (2) good heat dissipation performance; and (3) good anti-vibration performance and comfortable driving experience. Aluminum alloy automobile wheels have the following disadvantages: (1) weak impact resistance; and (2) complicated manufacturing process and high production cost. In terms of application, aluminum alloy automobile wheels are mainly applied on medium and premium passenger vehicles. Steel wheels have the following advantages: (1) good impact resistance; and (2) simple manufacturing process and low production cost. Steel wheels have the following disadvantages: (1) heavy weight and poor fuel efficiency; (2) low production size accuracy; and (3) poor anti-vibration performance and relatively uncomfortable experience. In terms of application, steel wheels are mainly applied on low-end passenger vehicles and commercial vehicles.

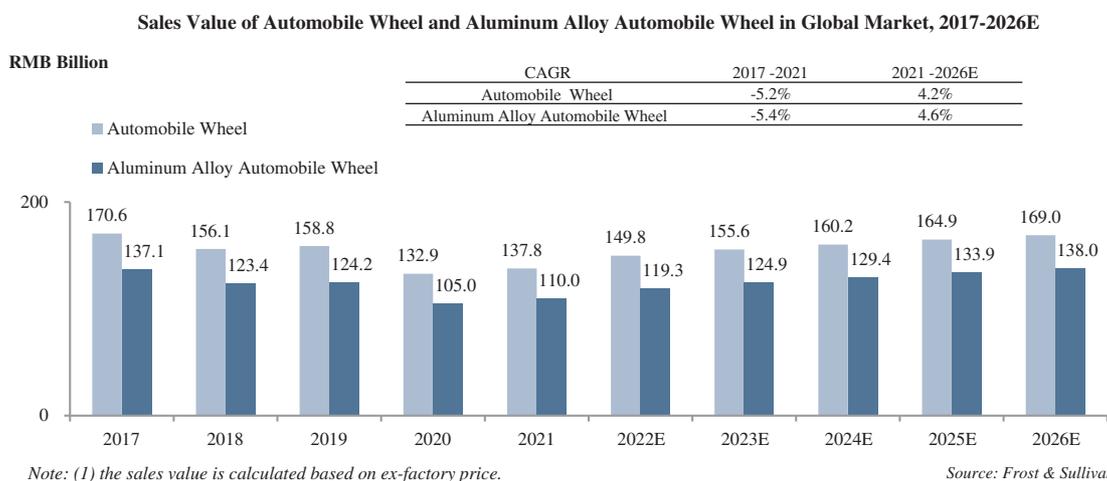
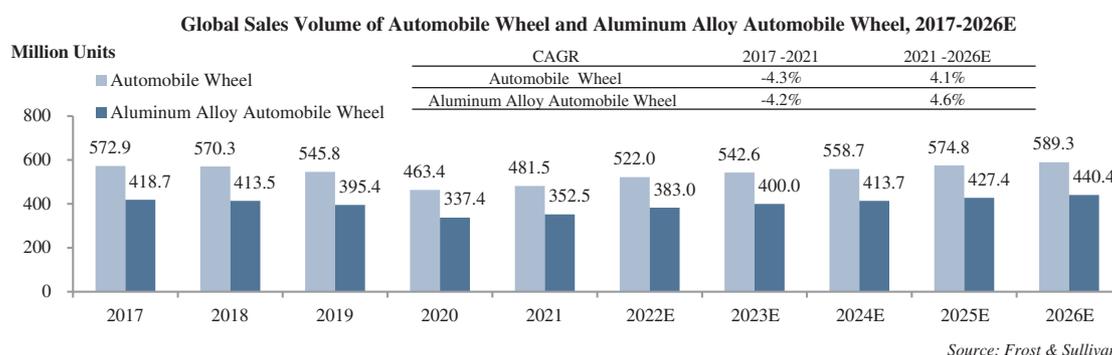
### **Global Automobile Wheel Industry**

Automobile wheels are essential components of all vehicles. Wheels made of aluminum alloy are widely used in passenger vehicles such as sedan and SUV (sport-utility vehicle). It is estimated that approximately 80% of new automobiles are equipped with aluminum alloy automobile wheels globally during 2017 and 2021, and the percentage is expected to increase steadily with more households reaching income levels that allow them to purchase medium or premium passenger vehicles (medium and premium passenger vehicles are equipped with aluminum alloy automobile wheels). As such, the growth trend of aluminum alloy automobile wheel market is primarily attributed to new car production and percentage of new automobiles that are equipped with aluminum alloy automobile wheels. Also, the rise of automobile modification and customization has propelled the sales of aluminum alloy automobile wheel, as it is visually appealing with bright and shiny appearance.

## INDUSTRY OVERVIEW

Impacted by COVID-19 in 2020, global production volume of automobiles decreased significantly and directly affected the demand for automobile wheels as well as aluminum alloy automobile wheels. The global sales volume of aluminum alloy automobile wheels decreased to 352.5 million units in 2021, representing a CAGR of -4.2% from 2017 to 2021. In light of the effective control of COVID-19 pandemic due to quarantine and vaccination, it is expected that the global automobile industry will recover and the sales volume of aluminum alloy automobile wheel is expected to reach 440.4 million units in 2026. Also impacted by COVID-19, the global sales value of aluminum alloy automobile wheels decreased from RMB137.1 billion in 2017 to RMB110.0 billion in 2021, representing a CAGR of -5.4%. Going forward, with the gradual recovery in global automobile production, the global sales value of aluminum alloy automobile wheels is expected to increase from RMB110.0 billion in 2021 to RMB138.0 billion in 2026, representing a CAGR of 4.6%.

### Global Sales Volume and Value of Automobile Wheel and Aluminum Alloy Automobile Wheel



### Global Sales Volume and Value of Aluminum Alloy Automobile Wheel by Customer Type

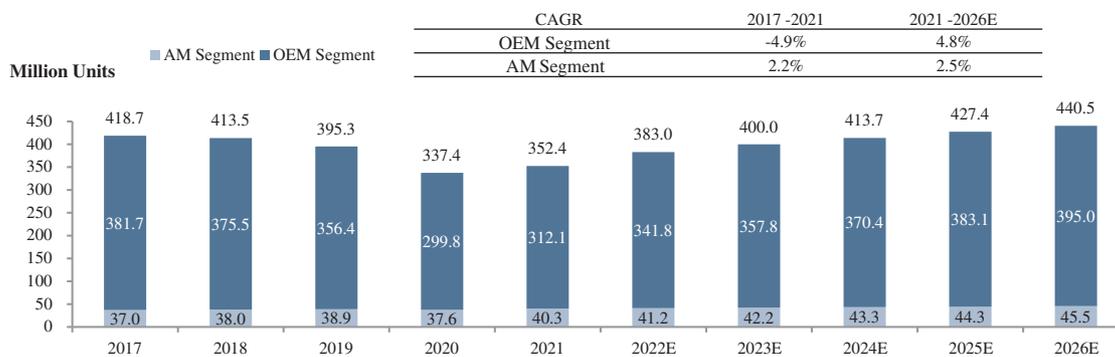
The global annual sales volume of aluminum alloy automobile wheel to the OEM segment decreased from 381.7 million units in 2017 to 312.1 million units in 2021 due to the impact of COVID-19, representing a CAGR of -4.9%. Such sales volume to the OEM segment is expected to recover to 395.0 million units in 2026. The global sales value of aluminum alloy automobile wheels in the OEM segment decreased from RMB118.0 billion in 2017 to RMB88.8 billion in 2021, representing a CAGR of -6.9%. The decline in sales value was primarily due to the decrease in new automobile production. In addition, due to weak market demand for

## INDUSTRY OVERVIEW

automobile consumption, profitability of OEMs also declined and OEMs tend to control their cost more strictly by asking suppliers to lower the price of automobile parts, which led to falling prices of aluminum alloy automobile wheel sold to OEMs. The global sales value of aluminum alloy automobile wheels in the OEM segment is expected to increase from RMB88.8 billion in 2021 to RMB113.4 billion in 2026, representing a CAGR of 5.0%.

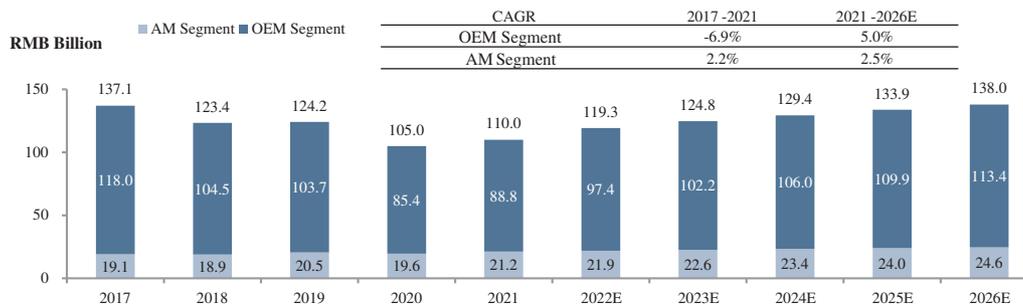
The global annual sales volume of aluminum alloy automobile wheel to the AM segment grew from 37.0 million units in 2017 to 40.3 million units in 2021, representing a CAGR of 2.2%. Such sales volume to the AM segment is expected to remain stable growth from 40.3 million units in 2021 to 45.5 million units in 2026, representing a CAGR of 2.5%. The global sales value of aluminum alloy automobile wheels in the AM segment grew from RMB19.1 billion in 2017 to RMB21.2 billion in 2021, representing a CAGR of 2.2%. The growth is expected to remain stable and shall reach RMB24.6 billion in 2026.

**Global Sales Volume of Aluminum Alloy Automobile Wheel, Breakdown by Customer Type, 2017-2026E**



*Source: Frost & Sullivan*

**Sales Value of Aluminum Alloy Automobile Wheel in Global Market, Breakdown by Customer Type, 2017-2026E**



*Note: the sales value is calculated based on ex-factory price.*

*Source: Frost & Sullivan*

### Market Drivers of Global Aluminum Alloy Automobile Wheel Market

#### *Global Procurement from Multinational Automobile Manufacturers*

As a result of globalization, a large number of multinational automobile manufacturers have implemented global procurement strategy of automobile wheels to optimize supply chain and reduce production costs. Through intense market competition and independent R&D, the manufacture level of automobile wheel industry in emerging market has gradually been recognized as global leading. Over the next few years, automobile wheel

---

## INDUSTRY OVERVIEW

---

manufacturers in emerging market are expected to not only provide products for local automobile manufacturers but also act as important suppliers for the global automobile manufacturers.

### *Leading Automobile Wheel Manufacturers Have Strong Technological Capabilities*

Leading automobile wheel manufacturers have strong technological capabilities and can deeply participate in the new vehicle models development process of automobile OEMs. During wheel design, computer aided engineering analysis and simulation verification will be conducted with the help of advanced software and abundant engineering experience, which shortens development period, reduces development cost and improves user satisfaction. With strong technological capability and rapid new product development period, the global aluminum alloy automobile wheel industry will remain competitive and constantly develop further.

### **Development Trends of Global Aluminum Alloy Automobile Wheel Market**

#### *Increasing Level of Customization*

Wheels are important parts of vehicle's exterior and personalized wheels can make a vehicle more dynamic and distinctive. In the early development stage of automobile industry, it was a common practice for automobile manufacturers to use the same wheel type for multiple vehicle models. With the continuous progress of automobile industry, automobile manufacturers begin to assemble different styles of wheels for the same vehicle model to grant the vehicles personalized characteristics.

#### *Changes in Automobile Use Habits and Consumer Preferences*

The development of aftermarket has been stimulated in recent years by a number of factors, including increasing number of automobiles in use and proliferating consumer preference for comfort, aesthetics and fuel-efficiency. Aluminum alloy automobile wheels have replaced steel wheels in a large scale due to the benefits offered by the material including lower weight, superior heat conductivity and improved anti-corrosion properties. Modified wheels with excellent performance and appearance are becoming increasingly popular among young generations.

#### *Automatic Manufacturing*

Consistent with the global trend of automated manufacturing, wheel manufacturers are expected to upgrade old production lines and construct new production lines equipped with highly intelligent and automated production equipment to improve efficiency and precision of production process while reducing the labor costs.

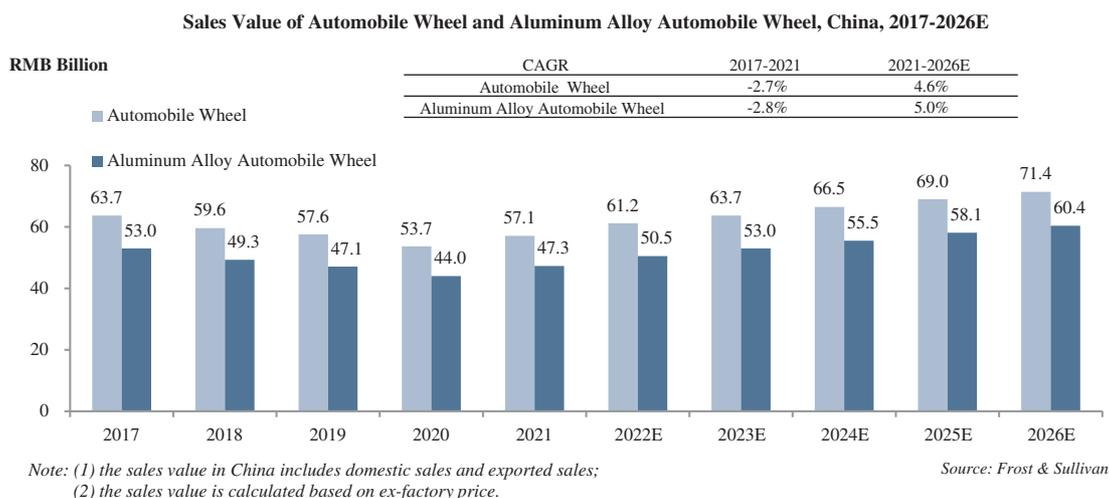
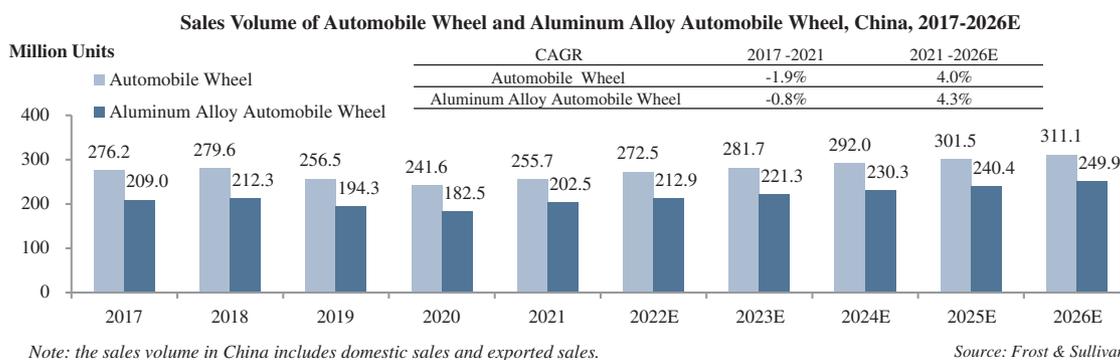
### **China Automobile Wheel Industry**

China is both the world's largest automobile market and largest automobile manufacturing country and has been increasingly gaining influence over market dynamics. With well-established industry clusters of automobile wheel manufacturing, China has produced millions of automobile wheels each year to meet huge demands from both the domestic market and the foreign market. The sales volume of automobile wheel in general and aluminum alloy automobile wheel, in particular in China, experienced a slight decline at a CAGR of -1.9% and -0.8%, respectively during 2017 and 2021, which is mainly attributable to the COVID-19 impact. Going forward, it is

## INDUSTRY OVERVIEW

expected that the China automobile industry will start recovering and will stimulate the demand for wheels and also aluminum alloy automobile wheels. The sales value of aluminum alloy automobile wheel in China decreased from RMB53.0 billion in 2017 to RMB47.3 billion in 2021. Though impacted by COVID-19 in 2020, the China automotive industry showed strong resistance and the aluminum alloy automobile wheel market size only decreased slightly to RMB44.0 billion. With the gradual recovery in global automobile production, the sales value of aluminum alloy automobile wheel is expected to reach RMB60.4 billion in 2026. Though the trade tension between China and the U.S. has been causing uncertainty to aluminum alloy automobile wheel industry in China, it is not expected to have material long-term impact on the sales volume of aluminum alloy automobile wheel in China. The exported value of aluminum alloy automobile wheel of China remained at approximately USD4.04 billion in 2019, which was 4.4% higher than 2015 of USD3.87 billion. Meanwhile, increasing demands from other countries, including Mexico, South Korea, Brazil and Malaysia partly off set the negative impact of trade tension on China's aluminum alloy automobile wheel market in 2019.

### *China Sales Volume and Value of Automobile Wheel and Aluminum Alloy Automobile Wheel*



### *China Sales Volume and Value of Aluminum Alloy Automobile Wheel by Customer Type*

The sales volume of aluminum alloy automobile wheel to the OEM segment in China declined from 197.2 million units in 2017 to 186.3 million units in 2021, representing a CAGR of -1.4%. Such sales volume to the OEM segment is expected to reach at 228.9 million units in 2026. The sales value of aluminum alloy

---

## INDUSTRY OVERVIEW

---

automobile wheels to the OEM segment in China declined from RMB48.2 billion in 2017 to RMB41.0 billion in 2021. Impacted by COVID-19 in 2020, the sales value of aluminum alloy automobile wheel to OEM segment decreased to RMB41.0 billion in 2021, representing a CAGR of -4.0% from 2017-2021. The sales value of aluminum alloy automobile wheels to the OEM segment is expected to increase from RMB41.0 billion in 2021 to RMB51.5 billion in 2026, representing a CAGR of 4.7%.

The sales volume of aluminum alloy automobile wheel to the AM segment in China grew steadily from 11.8 million units in 2017 to 16.2 million units in 2021, representing a CAGR of 8.2%. Sales volume to the AM segment is expected to reach 21.0 million units in 2026, primarily attributable to growing population of young drivers pursuing more aesthetic outlook of the vehicles and expected more relaxing policy on car modification in China. Similarly, the sales value of aluminum alloy automobile wheels to the AM segment in China grew from RMB4.8 billion in 2017 to RMB6.3 billion in 2021, representing a CAGR of 7.0%. The growth is expected to maintain and increase to RMB8.9 billion in 2026, representing a CAGR of 7.2%.

### *China Sales Volume and Value of Aluminum Alloy Automobile Wheel by Domestic Sales and Exported Sales*

The exported sales volume of aluminum alloy automobile wheel in OEM segment in China increased from 84.4 million units in 2017 to 85.1 million units in 2021, representing a CAGR of 0.2%. Going forward, driven by the recovery of automobile industry, such exported sales volume in OEM segment will grow and reach 110.5 million units in 2026, representing a CAGR of 5.4% from 2021. The exported sales value of aluminum alloy automobile wheel in OEM segment in China declined at a CAGR of -2.1% from RMB25.7 billion in 2017 to RMB23.6 billion in 2021 due to the decline of unit price of exported aluminum alloy automobile wheel and the weak overseas demand in 2021. Going forward, driven by the growth of exported volume of aluminum alloy automobile wheel, the total value of exported aluminum alloy automobile wheel in OEM segment in China will reach RMB26.9 billion in 2026, representing a CAGR of 2.7%.

The exported sales volume of aluminum alloy automobile wheel in AM segment in China is relatively small but realized a continuous growth from 8.2 million units in 2017 to 11.0 million units in 2021 due to the increasing scale of automobile in use, representing a CAGR of 7.6%. Going forward, such exported sales volume in AM segment will grow at a CAGR of 2.9% and reach 12.7 million units in 2026, driven by growing number of automobile in use globally and the increasing penetration rate of modified and customized automobiles. The exported sales value of aluminum alloy automobile wheel in AM segment in China grew from RMB3.3 billion in 2017 to RMB4.3 billion in 2021, representing a CAGR of 6.8%. Such exported sales value in AM segment in China is expected to increase to RMB5.4 billion in 2026 with a CAGR of 4.7%.

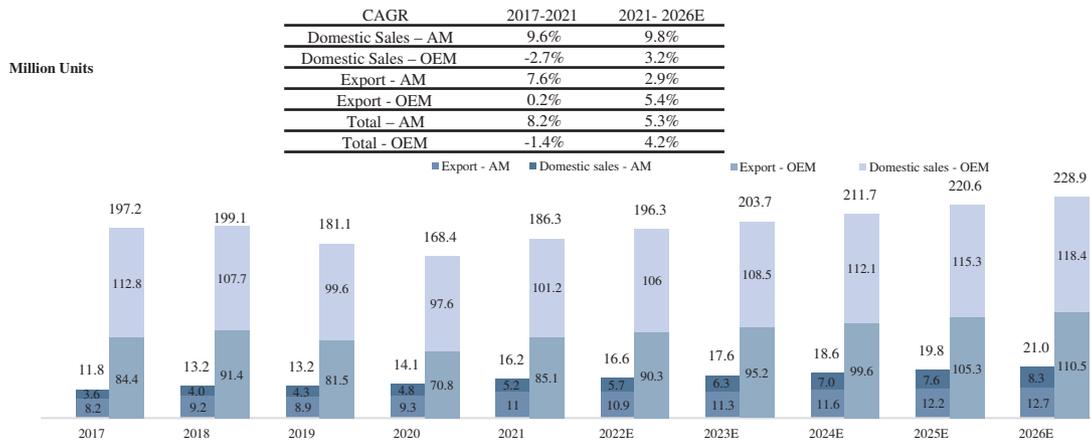
The domestic sales volume of aluminum alloy automobile wheel in OEM segment in China declined from 112.8 million units in 2017 to 101.2 million units in 2021, representing a CAGR of -2.7%. Such domestic sales volume in OEM segment in China is expected to grow at a CAGR of 3.2% and reach 118.4 million units in 2026, along with the recovery of automobile industry in China. Impacted by COVID-19, the domestic sales value of aluminum alloy automobile wheel in OEM segment in China declined at a CAGR of -6.2% from RMB22.5 billion in 2017 to RMB17.4 billion in 2021. Due to recovery of automobile industry in China, such domestic sales value in OEM segment in China is expected to increase at a CAGR of 7.2% and reach RMB24.6 billion in 2026.

The domestic sales volume of aluminum alloy automobile wheel in AM segment in China grew from 3.6 million units from 2017 to 5.2 million units in 2021, representing a CAGR of 9.6%, driven by the expanding

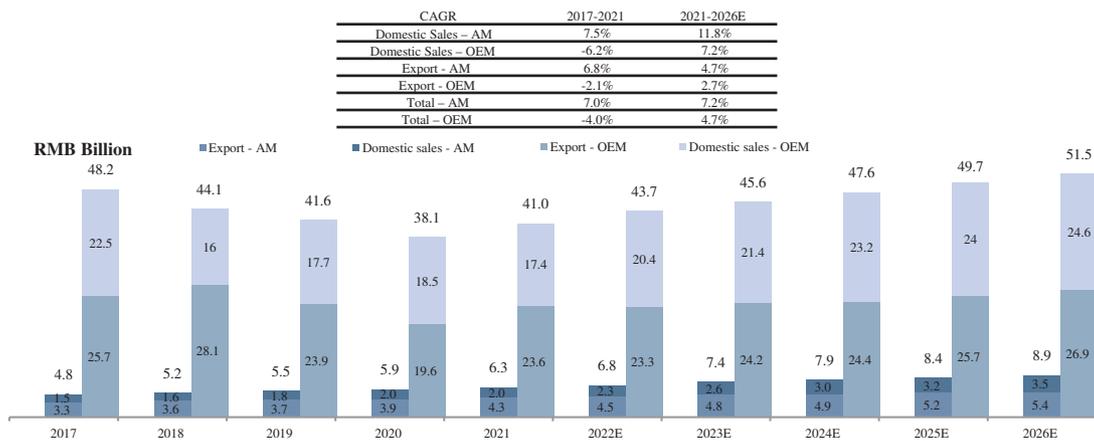
## INDUSTRY OVERVIEW

production scale of automobile and scale of automobile in use. Such domestic sales volume in AM segment in China is expected to grow at a CAGR of 9.8% and reach 8.3 million units in 2026, along with the recovery of automobile industry in China. Similarly, the domestic sales value of aluminum alloy automobile wheel in AM segment in China grew from RMB1.5 billion in 2017 to RMB2.0 billion in 2021, representing a CAGR of 7.5%. Such domestic sales value in AM segment in China is expected to grow at a CAGR of 11.8% and reach RMB3.5 billion in 2026.

**Sales Volume of Aluminum Alloy Automobile Wheel in China, Breakdown by Domestic Sales and Exported Sales, 2017-2026E**



**Sales Value of Aluminum Alloy Automobile Wheel in China, Breakdown by Domestic Sales and Exported Sales, 2017-2026E**



*Source: Frost & Sullivan*

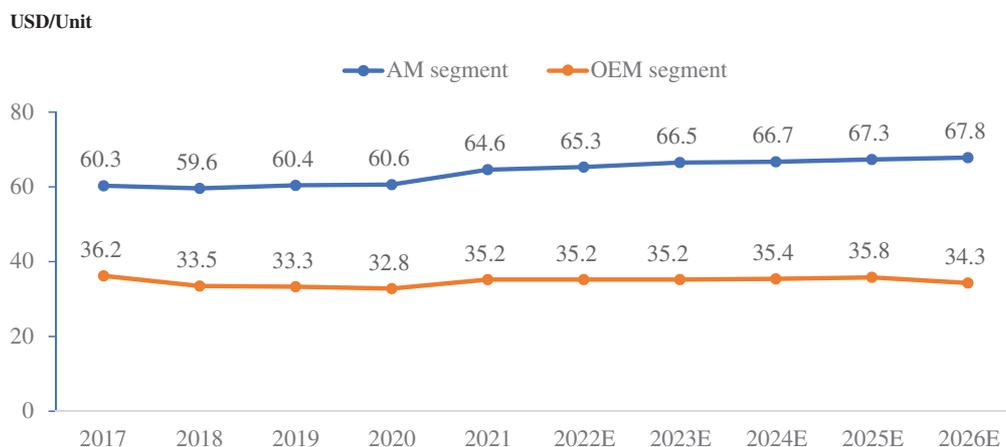
---

## INDUSTRY OVERVIEW

---

The diagram below illustrates the historical and forecast trend on the selling price of aluminum alloy automobile wheel in China for the indicated periods.

**Average Price of Aluminum Alloy Automobile Wheel in China, 2017-2026E**



Source: The National Bureau of Statistics

### Market Drivers of Aluminum Alloy Automobile Wheel Market in China

#### *Competitiveness Improvement of Domestic Wheel Industry*

As domestic labor costs increase continuously and market competition from the multinational wheel manufacturers becomes more intense, domestic automobile wheel manufacturers have strengthened their technology development ability, expanded and upgraded their product portfolios. As a result, domestic wheel manufacturers are able to provide comprehensive and competitive wheel production to gain recognition by global customers and improve their market position in the global automobile wheel industry.

#### *International Expansion of Domestic Wheel Enterprises*

With strong promotion of “Belt and Road Initiative” strategy from the government, domestic wheel manufacturers try to seek opportunities of cooperation, merger and acquisition with overseas factories on a global scale, and recruit a large number of talents in the international market to expand their research and development capabilities. With the continuous expansion in the global market, China’s wheel manufacturers have a broad development prospect.

### Development Trends of Aluminum Alloy Automobile Wheel Market in China

#### *Lightweight and Upgraded Wheel*

Wheel weight reduction is an important area of automobile lightweight. Wheel manufacturers continue to optimize the wheel design and production process to reduce wheel weight, in order to reduce vehicle fuel consumption.

In recent years, large size wheels gradually grow into a mainstream wheel type. As a result, the popular sizes of wheel have changed from previous 14-15 inches to 17-18 inches today. For example, the 2008 model Jetta of Volkswagen was equipped with 14-inch wheels, while the new model Jetta of Volkswagen starts to introduce 17-inch wheels as standard.

---

## INDUSTRY OVERVIEW

---

### *Adoption of Advanced Processing Technology*

In the future, an increasing number of aluminum alloy automobile wheel production will adopt CNC machining technology. This technology can greatly reduce the number of tooling, manufacturing complex shape of the wheel without the need for complex tooling. If the shape and size of wheel are changed, only the manufacture processing procedures need to be modified, which is quite suitable for new product development process. CNC machining technology has the advantage of stable product quality and high processing accuracy, which has made it a technology trend in the domestic aluminum alloy automobile wheel industry.

### COMPETITIVE LANDSCAPE OF ALUMINUM ALLOY AUTOMOBILE WHEEL MARKET IN CHINA

#### **Barriers to Entry**

##### *Technology Barrier*

The design and production of aluminum alloy automobile wheel involves a series of technologies such as material science, metal smelting, surface coating and product testing. With vehicle manufacturers continuously shortening development period, major vehicle manufacturers often require suppliers to have new product development ability and be able to participate in the development of new vehicle models. In this context, automobile wheel manufacturers need to have strong R&D capability to develop and manufacture new products in a limited period.

##### *Stringent qualification requirement of suppliers by OEMs*

With the continuous development of the automobile industry, vehicle manufacturers have increasingly higher requirements on the reliability, precision and environmental protection of the manufacturing process of aluminum alloy automobile wheels. In the selection of suppliers, technical strength, product quality, supply capacity and production costs are important consideration factors. For new enterprises to enter the automobile aluminum wheel industry, strict and complex certification standards and relatively long certification process are major barriers to enter the aluminum alloy automobile wheel supply system.

##### *Brand Barrier*

The aluminum alloy automobile wheel industry is highly specialized. Manufacturers in the industry have generally established long-term and stable cooperative relationship with their customers. Positive brand image is indispensable and beneficial to business development and customer base enlargement of market participants. The difficulty in building up brand recognition in a short period of time has contributed to the hinderance in customer acquisition activities for new entrants in the industry.

##### *Capital Barrier*

Aluminum alloy automobile wheel industry is a capital-intensive manufacturing industry, which requires substantial capital expenditure in manufacturing, machinery, research and development, product design, and marketing in order to meet both consumer preferences and regulatory requirements. At the same time, in the production process a large amount of working capital is also needed, in order to ensure the smooth raw material procurement and other daily business activities. Therefore, large capital investment for new entrants sets a high entry barrier.

## INDUSTRY OVERVIEW

### Competitive Landscape

Over the past decade, approximately 150 new market participants entered the industry of aluminum alloy automobile wheel in China, of which approximately 110 and 40 were manufacturers and trading companies which exported aluminum alloy automobile wheels, respectively, 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. There were 500 to 600 aluminum alloy automobile wheel manufacturers in China and there were more than 500 participants, including more than 300 manufacturers and approximately 200 trading companies which exported aluminum alloy automobile wheels for more than 1,000 units in China in 2021, which indicate an intense competition in a fragmented market. On the other hand, 18 out of the top 20 aluminum alloy automobile wheel exporters in China which exported aluminum alloy automobile wheels for more than 0.5 million units in China in 2021 are manufacturers, the market is dominated by a few major aluminum alloy automobile wheel manufacturers. The top ten manufacturers by exported volume amassed a combined market share of 47.6% in 2021. Within such competitive market, most aluminum alloy automobile wheel manufacturers tend to focus on particular customer segment, in particular, car manufacturer or automobile aftermarket parts reseller, in domestic and overseas markets.

The Group, as an aluminum alloy automobile wheel manufacturer, has developed diversified and long-term automobile aftermarket parts customers in overseas markets. In terms of exported volume of aluminum alloy automobile wheel, the Group had a 0.8% market share in 2021.

In terms of exported value of aluminum alloy automobile wheels, the Group took up approximately 1.0% market share and ranked the 19th in the aluminum alloy automobile wheel export market in PRC in 2021 with exported value of RMB291.5 million.

	Exported value in 2021 (RMB million)	Market share
1 CITIC Dicastal Co., Ltd. (中信戴卡股份有限公司) .....	3,656.4	13.1%
2 Shengwang Automobile Parts (Kunshan) Co., Ltd (盛旺汽車零部件(昆山)有限公司) .....	2,225.2	8.0%
3 Baoding Lizhong Wheel Manufacturing Co., Ltd. (保定市立中車輪製造有限公司) .....	1,610.3	5.8%
4 Zhejiang Wanfeng Automobile Wheel Co., Ltd. (浙江萬豐奧威汽輪股份有限公司) .....	1,490.4	5.3%
5 Guangzhou Yufengxu Aluminum Casting Co., Ltd (廣州馭風旭鋁鑄件有限公司) .....	930	3.3%
6 Liuhe Light Alloy (Kunshan) Co., Ltd (六和輕合金(昆山)有限公司) .....	941.5	3.4%
7 Lianyungang Qichuang Aluminum Products Manufacturing Co., Ltd (連雲港啟創鋁製品製造有限公司) .....	814.5	2.9%
8 Zhejiang Jinfei Kaida Wheel Co., Ltd. (浙江今飛凱達輪轂股份有限公司) .....	818.6	2.9%
9 Zhejiang Yue Ling Co., Ltd. (浙江躍嶺股份有限公司) .....	819.3	2.9%
10 Qinhuangdao Zhongqin Bohai Wheel Co., Ltd (秦皇島中秦渤海輪轂有限公司) .....	635.9	2.3%
Top 10 Market Players .....	13,942.1	50.0%
Others .....	13,957.9	50.0%
<b>TOTAL</b> .....	<b>27,900.0</b>	<b>100.0%</b>
The Group .....	291.5	1.0%

*Source: Frost & Sullivan*

## INDUSTRY OVERVIEW

The domestic market of aluminum alloy automobile wheel in China is highly concentrated. The top five manufacturers by domestic sales volume accounted for a combined market share of 87.2% in 2021, whereas the Group took up approximately 0.4% market share in the domestic market of aluminum alloy automobile wheel in China in 2021.

	<b>Domestic sales volume in 2021 (million units)</b>	<b>Market share</b>
1 CITIC Dicastal Co., Ltd. (中信戴卡股份有限公司) .....	50.2	47.2%
2 Zhejiang Jinfei Kaida Wheel Co., Ltd. (浙江今飛凱達輪轂股份有限公司) .....	14.2	13.3%
3 Baoding Lizhong Wheel Manufacturing Co., Ltd. (保定市立中車輪製造 有限公司) .....	13.4	12.6%
4 Zhejiang Wanfeng Automobile Wheel Co., Ltd. (浙江萬豐奧威汽輪股份 有限公司) .....	11.3	10.6%
5 Zhongnan Aluminum Alloy Wheel Hub Co., Ltd. (中南鋁車輪股份有限 公司) .....	3.7	3.5%
Top 5 Market Players .....	92.8	87.2%
Others .....	13.6	12.8%
<b>TOTAL</b> .....	<b>106.4</b>	<b>100.0%</b>
The Group .....	0.4	0.4%

*Source: Frost & Sullivan*

### Key Market Participants

#### Company Profile of Main Competitors

<u>Company</u>	<u>Year of establishment</u>	<u>Listed/Unlisted</u>	<u>Major product scope</u>	<u>Main business coverage</u>
CITIC Dicastal Co., Ltd.(中信 戴卡股份有限公司)	1988	Unlisted	<ul style="list-style-type: none"> <li>• Aluminum alloy automobile wheel</li> <li>• Automated manufacturing equipment (e.g. ID laser etching system, automatic and informationized low pressure casting line, automatic deburring system, etc.,)</li> <li>• Lightweight aluminum cast components</li> </ul>	Mainland China, Europe, North America, Japan, South Korea, and Australia
Shengwang Automobile Parts (Kunshan) Co., Ltd (盛旺汽 車零部件(昆山)有限公司)	1997	Unlisted	<ul style="list-style-type: none"> <li>• Aluminum alloy automobile wheel</li> <li>• Automobile seats</li> <li>• Automobile tires</li> <li>• Automobile engines</li> </ul>	Mainland China, Europe, North America and Asia
Baoding Lizhong Wheel Manufacturing Co., Ltd. (保 定市立中車輪製造有限公司)	1995	Unlisted	Aluminum alloy automobile wheel	Mainland China, USA, Europe, Japan and South Korea

## INDUSTRY OVERVIEW

Company	Year of establishment	Listed/Unlisted	Major product scope	Main business coverage
Zhejiang Wanfeng Automobile Wheel Co., Ltd. (浙江萬豐奧威汽輪股份有限公司)	1998	Listed	<ul style="list-style-type: none"> <li>• Aluminum alloy automobile wheel</li> <li>• Magnesium alloy wheel</li> </ul>	Mainland China, Japan, North America and Europe
Lianyungang Qichuang Aluminum Products Manufacturing Co., Ltd (連雲港啟創鋁製品製造有限公司)	2007	Unlisted	Aluminum alloy automobile wheel	Mainland China, North America, Europe, and Australia
Liuhe Light Alloy (Kunshan) Co., Ltd (六和輕合金(昆山)有限公司)	2000	Unlisted	<ul style="list-style-type: none"> <li>• Aluminum alloy automobile wheel</li> <li>• Magnesium Alloy Wheel</li> </ul>	Mainland China, North America and Europe
Guangzhou Yufengxu Aluminum Casting Co., Ltd (廣州馭風旭鋁鑄件有限公司)	2007	Unlisted	Aluminum alloy automobile wheel	Mainland China, North America and Europe
Zhejiang Jinfei Kaida Wheel Co., Ltd. (浙江今飛凱達輪轂股份有限公司)	1996	Listed	Aluminum alloy automobile wheel	Mainland China, North America and Europe
Zhejiang Yue Ling Co., Ltd. (浙江躍嶺股份有限公司)	1983	Listed	Aluminum alloy automobile wheel	Mainland China and North America
Qinhuangdao Zhongqin Bohai Wheel Co., Ltd (秦皇島中秦渤海輪轂有限公司)	2015	Unlisted	Aluminum alloy automobile wheel	Mainland China, North America and Europe
Zhongnan Aluminum Alloy Wheel Hub Co., Ltd. (中南鋁車輪股份有限公司)	1990	Unlisted	Aluminum alloy automobile wheel	Mainland China, North America and Europe

*Source: Frost & Sullivan*

### Competitive Strengths of the Company

#### *Strong and flexible design and production capability that cater to individualized customer needs*

The Group has enjoyed great flexibility in product design and production capability. After-sales automobile market is characterized by fast evolving and highly individualized customer demands. In order to quickly respond to frequent orders with small amount but diversified and customized needs in each order, the Group has designed various molds and developed an agile production. In addition, the Company has made significant investment in enhancing its product development capabilities to keep current with the rapid-upgrading technology.

#### *Advanced Production Technics*

The Group has continuously invested in improving its production techniques by purchasing further advanced producing equipment, such as automatic casting machines, to improve the level of automatic

---

## INDUSTRY OVERVIEW

---

manufacturing. The Company has obtained IATF 16949:2016 certificate for its quality management system in 2018, as well as the certificate issued by TÜV Rhineland Italia S.r.l. on its quality management system in 2013 and certification of accreditation issued by Japan Light Alloy Automobile Wheel Testing Council on quality testing equipment in 2016.

### *A Well-established Sales Network*

A well-established and extensive sales network is essential for aluminum alloy automobile wheel manufacturers. The Company has established its sales networks that covers around 30 countries and regions in North America, Europe and Japan. The proved quality and increasingly renowned brand allow the Company to deepen its presence in its target market. Moreover, the extensive worldwide sales networks can reduce risks and losses caused by single customer change.

### *A Well-recognized brand*

After years of development and substantial enhancement on brand recognition, the Group has earned brand recognition from customers in China and globally. The Group obtained certifications from relevant certification bodies in major automobile markets, including IATF 16949:2016 certificate for its quality management system in 2018, as well as the certificate issued by TÜV Rhineland Italia S.r.l. on its quality management system in 2013 and certification of accreditation issued by Japan Light Alloy Automobile Wheel Testing Council on quality testing equipment in 2016, which are among the most widely-recognized certificates in the aluminum alloy automobile wheel manufacturing industry. The Group was awarded “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).

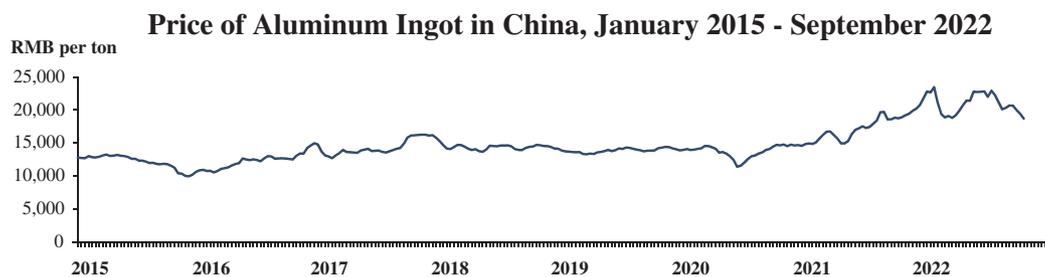
### **Price Trend of Major Raw Materials**

Aluminum alloy ingots are the main raw material for manufacturing aluminum alloy automobile wheels. The price of aluminum alloy ingot is highly correlated to the price of aluminum ingot. The average monthly price of aluminum ingot in China fluctuates significantly, and the fluctuations in the prices of raw materials are common in the industry. In 2015, the market price of aluminum ingot dropped sharply primarily due to the oversupply of aluminum ingot after years of rapid development in the market. The oversupply of aluminum ingot was primarily due to the Chinese government’s policy to increase the production capacity of aluminum ingot to achieve the goal of self-sufficiency by providing subsidies and tax cuts to support the development of the aluminum market. However, while China has remained self-sufficient for aluminum which helped facilitate the economic transformation, the Chinese government rolled out a supply-side reform in early 2016 with the aim of eliminating excess capacity of aluminum ingot. With gradual decline in the capacity of supply-side, the price of aluminum ingot has recovered continuously and reached a peak at RMB16,255.0 per ton on October 10, 2017, but followed by a downward trend afterwards until the second quarter of 2020. The dramatic decline in the first quarter of 2020 was mainly triggered by the unexpected outbreak of COVID-19. Subsequent to the initial outbreak of the COVID-19 pandemic in the PRC, the price of aluminum ingot increased significantly since the second quarter of 2020. Such increase was mainly due to (i) the recovery of business in the PRC as a result of relaxation of lock-down and isolation policies, prompting a surge in demand for aluminum ingot in various manufacturing industries; and (ii) the implementation of the carbon neutral policy by the PRC government in 2021 which deterred excess production of aluminum ingot in the PRC. As part of the PRC government’s long-term goal of lowering carbon emissions, the recent implementation of the carbon neutral

## INDUSTRY OVERVIEW

policy is expected to have a direct impact on the price of aluminum ingot as supply side manufacturers of aluminum products are restricted by the stringent emission standards which will prevent excessive production of aluminum ingot. In the last two months of 2021, due to the excessive aluminum inventory level, the price experienced a short-term sharp decline. In early 2022, aluminum ingot price increased significantly after a short-term decrease in the fourth quarter of 2021, which can be attributable to several reasons from both the supply and demand side. On the supply side, in February and March 2022, COVID-19 broke out in Baise City, Guangxi Province, the PRC, which is one of the most important production cities of bauxite and aluminum ingot, and large-scale lockdown of Baise City directly impacted the aluminum ingot delivery capability and drove the price to grow. Additionally, the increasing energy price also increases the cost of aluminum ingot given that energy is the largest component of aluminum ingot production cost. On the demand side, the new energy vehicle, infrastructure and real estate sectors have been heating up since early 2022, driving the increase of demand for aluminum products, which jointly pushed up the price of aluminum ingot. From May to September 2022, the average price of aluminum ingot went into a downward trend, primarily attributable to the COVID-19 outbreak in the PRC, including the two most developed cities Shanghai and Beijing. The outbreak led to large-scale lockdown and severely impacted the economy including manufacturing industry, and demand for aluminum ingot decreased significantly during the second and third quarter of 2022, which led to the drop of aluminum ingot price.

The diagram below illustrates prices of aluminum ingot in China for the indicated period:



*Source: The National Bureau of Statistics*

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

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

*Source: The National Bureau of Statistics*

### SOURCE OF INFORMATION AND RESEARCH METHODOLOGY

We had commissioned Frost & Sullivan to provide information on the aluminum alloy automobile wheel industry in the PRC. We had agreed to pay a fee of RMB1,150,000 to Frost & Sullivan for the report. The Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

---

## INDUSTRY OVERVIEW

---

In compiling and preparing the research reports, Frost & Sullivan conducted primary research including discussing the status of the industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered industry key drivers. Frost & Sullivan assumed that the social, economic and political environment in the globe and the PRC is expected to remain stable during the forecast period from 2022 to 2026. As the spread of COVID-19 pandemic is expected to be controlled with increasingly effective public health responses in 2020, this ensures the normalcy of the global and China's aluminum alloy automobile wheel market and related industries.

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the aluminum alloy automobile wheel industry in the PRC.

---

## REGULATORY OVERVIEW

---

### PRC LAWS AND REGULATIONS

Our major businesses are manufacture and sales of aluminum alloy automobile wheels. The applicable Chinese laws, regulations, administrative rules, regulatory documents, and other industry policies and relevant provisions that have significant impacts on our Group's operations and businesses in PRC are set out below.

#### 1. Industry Macro-policies

The *Opinions on Promoting the Sustainable and Healthy Development of China's Automobile Product Export* (《關於促進我國汽車產品出口持續健康發展的意見》) jointly issued by the MOFCOM, NDRC, MIIT, MOF, General Administration of Customs ("GAC") and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China ("GAQSIQ") on October 23, 2009 points out that the export of automobiles and auto parts shall reach USD85 billion by 2015, with an average annual growth of about 20%; the strategic target of increasing the export amount of China's automobiles and auto parts to 10% of the world's total automobile product trade shall be achieved by 2020; the low and middle-end finished vehicle markets in traditional developing countries shall be further consolidated, aftermarkets of auto parts in developing countries and the middle and high-end markets in developing countries shall be developed, the low and middle-end finished vehicle markets in developed countries shall be entered in a steady way; international enterprises and groups of Chinese origin which have strong scientific and technological innovation capabilities and independent core technologies in automobiles and auto parts shall be cultivated.

On September 3, 2014, ten departments including the Ministry of Transport of the People's Republic of China, NDRC, the Ministry of Education of the People's Republic of China, and the Ministry of Public Security of the People's Republic of China jointly issued the *Directive Opinions on Promoting the Transform and Upgrade of Automobile Repair Industry as well as the Improvement of Service Quality* (《關於促進汽車維修業轉型升級、提升服務質量的指導意見》), pointing out that an information disclosure system for automobile repair technologies shall be established and implemented to guarantee the equal right enjoyed by all enterprises in automobile repair to obtain the information of automobile repair technologies from automobile manufacturing enterprises, promote fair competition in the automobile repair market, and improve the quality of automobile repair; the monopoly of channels for spare parts shall be eliminated to promote the opening of supply channels of and multi-channel circulation of auto spare parts; the monopoly of channels for spare parts shall be broken on the principle of equal rights, equal opportunities, and equal rules for market participants and original parts manufacturers shall be encouraged to provide original parts and independent after-sales parts with independent trademarks to the automobile aftermarket; authorized parts distributors and repair enterprises shall be allowed to resell original parts to unauthorized counterparts or end users to promote the establishment of a socialized and high-quality distribution network for repair parts.

On October 22, 2012, the State Council issued the *Regulations on the Administration of Recall of Defective Automobile Products* (《缺陷汽車產品召回管理條例》) (effective on January 1, 2013, revised on March 2, 2019, with the latest revision effective on March 2, 2019). On November 27, 2015, the GAQSIQ issued the *Measures for Implementation of Regulations on the Administration of Recall of Defective Automobile Products* (《缺陷汽車產品召回管理條例實施辦法》) (effective on January 1, 2016), which stipulates that manufacturers shall recall all defective auto products according to this Regulation. If not, the product quality supervision administration under the State Council shall order manufacturers to recall defective products according to this Regulation. Operators and manufacturers of auto parts shall inform the GAQSIQ of the known

---

## REGULATORY OVERVIEW

---

defectives their auto products may have, and the GAQSIQ shall publicize the names of these manufacturers. Manufactures of auto parts having defective auto products shall cooperate with defect investigation and provide relevant information needed for investigation.

### 2. Production Safety Regulation

The *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》) issued by the Standing Committee of the NPC on June 29, 2002 (effective on November 1, 2002, revised on August 27, 2009 and August 31, 2014, with the latest revision effective on December 1, 2014) stipulates that manufacturing and managing entities shall be equipped with conditions satisfying the laws and regulations governing work safety, formulate relevant rules, improve production safety conditions and ensure the safety of the production process. Enterprises not satisfying production safety regulations shall never be engaged in manufacturing or other business activities. Furthermore, enterprises shall carry out education on employees about production safety. For manufacturing and managing entities employing over 100 people, a management organization for production safety shall be set to enhance the safety of manufacturing facilities, or special management personnel shall be appointed to do so. Any enterprise not complying with relevant regulations on work safety may be fined, or be ordered to stop production. In case of a criminal offense, the enterprise shall be held criminally liable.

### 3. Product Liability Regulation

The *Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》) issued by the Standing Committee of the National People's Congress ("SCNPC") on February 22, 1993 (effective on September 1, 1993 and revised on July 8, 2000, August 27, 2009 and December 29, 2018) stipulates that manufacturers shall bear legal responsibility for the quality of their products which shall meet the following requirements: (1) products shall be free from any irrational dangers threatening the safety of people and property. If there are national standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards; (2) products shall have the property they should possess, except cases in which there are explanations on the defects of the property of the products; (3) products shall tally with the standards prescribed or specified on themselves or the packages and with the quality specified in the instructions for use or shown in the samples provided. Manufacturers shall be responsible for the damage compensation due to product defects. Any manufacturer that violates the *Product Quality Law of the People's Republic of China* may be fined and ordered to stop producing the products illegally produced and the illegal proceeds may be confiscated. If the circumstances are serious, the business license shall be revoked. In case of a criminal offense, the manufacturer may be held criminally liable. Moreover, China has established and implemented the systems for certifying quality control system of enterprises and for certifying product quality. Enterprises may apply voluntarily for certification of their quality control system to the product quality supervision and control administration under the State Council or quality certification organizations authorized by the above administration.

The *Tort Law of the People's Republic of China* (《中華人民共和國侵權責任法》) (effective on July 1, 2010) issued by SCNPC on December 26, 2009 stipulates that manufacturers must be responsible for compensation of damage caused by product defects. Where a seller cannot identify the manufacturer of a defective product or the supplier thereof, the seller shall assume the tort liability. Where any harm is caused by a defective product to other persons' life or property safety, the victim may require compensation to be made by

---

## REGULATORY OVERVIEW

---

the manufacturer or the seller of the product. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. Where the defect is caused by the fault of a third-party such as the carrier or warehouse, the manufacturer or seller of the product that has paid the compensation shall be entitled to be reimbursed by the third-party. Where any defect is found after the product is put into market, the manufacturer or seller shall take such remedial measures as warning and recall in a timely manner. The manufacturer or seller who fails to take remedial measures in a timely manner or fails to take sufficient and effective measures and has caused any harm shall assume the tort liability. Where a manufacturer or seller knowing any defect of a product continues to manufacture or sell the product and the defect causes a death or any serious damage to the health of another person, the victim shall be entitled to require the corresponding punitive compensation from the manufacturer or seller.

The *Law of the People's Republic of China on Protecting Consumers' Rights and Interests* (《中華人民共和國消費者權益保護法》) (effective on January 1, 1994, revised on August 27, 2009 and October 25, 2013, with the latest revision effective on March 15, 2014) issued by SCNPC on October 31, 1993 stipulates that in buying or using commodities or receiving services to meet living needs, consumers shall have the right to have their person and property safety protected. When legal rights and interests are infringed when buying or using commodities or receiving services, consumers can claim compensation from the seller and/or manufacturer of relevant commodities or services. Consumers or other victims can claim compensation from sellers or manufacturers in case of personal or property damage due to commodity defects. Where the responsibility lies with the manufacturer, the seller, after settling the compensation, is entitled to recover from the manufacturer. Where the responsibility lies with the seller, the manufacturer, after settling the compensation, is entitled to recover from the seller. If enterprises violate the *Law of the PRC on Protecting the Rights and Interests of Consumers* or other relevant laws or regulations, they may be fined, ordered to stop manufacturing, and have their licenses revoked. Business operators who infringe the legal rights and interests of consumers by providing commodities or services violating the *Law of the PRC on Protecting the Rights and Interests of Consumers* shall be held criminally liable according to law if their action constitutes a crime.

#### 4. Environmental Protection Regulation

According to the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) issued by SCNPC on December 26, 1989 and revised on April 24, 2014 (with the latest revision effective on January 1, 2015), the *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》) issued by SCNPC on May 11, 1984 (effective on November 1, 1984, revised on May 15, 1996, February 28, 2008, June 27, 2017, with the latest revision effective on January 1, 2018), the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》) issued by SCNPC on September 5, 1987 (effective on June 1, 1988, revised on August 29, 1995, April 29, 2000, August 29, 2015, and October 26, 2018, with the latest revision effective on October 26, 2018), the *Law of the People's Republic of China on Prevention and Control of Noise Pollution* (《中華人民共和國環境噪聲污染防治法》) issued by SCNPC on October 29, 1996 (effective on March 1, 1997, revised on December 29, 2018, with the latest revision effective on December 29, 2018) and the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution* (《中華人民共和國固體廢物污染環境防治法》) issued by SCNPC on October 30, 1995 (effective on April 1, 1996, revised on December 29, 2004, June 29, 2013, April 24, 2015, November 7, 2016 and April 29, 2020, with the latest revision effective on September 1, 2020), enterprises discharging pollutants such as waste gas, waste water,

---

## REGULATORY OVERVIEW

---

solid waste and noise shall take effective measure to control and even avoid pollution and other harms caused by relevant pollutants, and shall pay pollutant discharging fee according to the requirements of relevant laws and regulations. Enterprises subject to the management of pollutant discharging license shall never discharge pollutants if not obtaining such license nor exceed the pollutant discharging amount specified by pollutant discharging standards, and shall only discharge pollutants predetermined by their pollutant emission licenses. Environmental protection facilities shall be designed, constructed and put into service at the same time as that of the main operating unit. For enterprises failing to comply with relevant environmental protection regulations, competent authorities may warn or impose a fine on such enterprises and even order them to stop production. In case of a criminal offense, the person in charge of the enterprise may be held criminally liable.

According to the *Law of the People's Republic of China on the Prevention and Control of Radioactive Pollution* (《中華人民共和國放射性污染防治法》) issued by SCNPC on June 28, 2003 and effective on October 1, 2003, entities that produce radioactive waste gas or waste liquid, when discharging radioactive waste gas or waste liquid that meets the national standards for the prevention and control of radioactive pollution, shall apply to the competent administration of environmental protection responsible for examining and approving environmental impact assessment documents for the amount of radioactive nuclides release, and regularly report the discharging amount. Entities discharging radioactive waste liquid must comply with the requirements of national standards for the prevention and control of radioactive pollution, dispose of or store the radioactive waste liquid not allowed to be discharged into the environment. Entities that produce radioactive waste liquid, when discharging radioactive waste liquid that meets the national standards for the prevention and control of radioactive pollution, shall adopt the discharging methods specified by the competent environmental protection administration under the State Council.

According to the *Regulations on the Safety Management of Radioactive Wastes* (《放射性廢物安全管理條例》) issued by the State Council on November 20, 2011 and effective on March 1, 2012, the processing, storage and disposal of radioactive wastes shall comply with the national standards for the prevention and control of radioactive pollution and the regulations formulated by competent environmental protection administration under the State Council. Entities that produce radioactive wastes shall process the radioactive liquid that cannot be purified and discharged and turn such liquid into radioactive solid wastes; shall timely send the used radioactive sources and other radioactive solid wastes they produced to radioactive solid waste storage entities with corresponding permits for centralized storage; or shall directly send to radioactive solid waste storage entities with corresponding permits for disposal.

According to the *Regulations on the Administration of Construction Project Environmental Protection* (《建設項目環境保護管理條例》) issued and effective on November 29, 1998 and revised on July 16, 2017 (with the latest revision effective on October 1, 2017), 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》) issued on October 28, 2002, effective on September 1, 2003, and revised on July 2, 2016 and December 29, 2018 (with the latest revision effective on December 29, 2018), the *Measures for the Administration of Filing Environmental Impact Registration Form of Construction Projects (Decree No. 41 of the Ministry of Environmental Protection)* (《建設項目環境影響登記表備案管理辦法》) issued on November 16, 2016 and effective on January 1, 2017, and the *Measures for the Administration of Environmental Protection Acceptance after Completion of Construction Projects* (《建設項目竣工環境保護驗收管理辦法》) issued on December 27, 2001 and revised on December 22, 2010 (revised according to the *Decisions on the Abolition and Modification of Certain Regulations and Regulatory Documents about Environmental Protection* (《關於廢止、修改部分環保部門規章和規範性文件的決定》) issued and effective

---

## REGULATORY OVERVIEW

---

on December 22, 2010), China has implemented a system to assess the environmental impact of construction projects. According to the impact caused by construction projects on the environment, construction entities shall prepare an environment impact report or an environment impact report form or an environmental impact registration form to describe the impact caused by their construction projects. The report and report form shall be approved by competent administration of environmental protection before commencement while the registration form will be managed through filing. Furthermore, according to the rules and procedures formulated by the competent administration department of environmental protection under the State Council, construction entities must check and accept their completed supporting environmental protection facilities upon the completion of construction projects for which an environment impact report or an environment impact report form has been prepared, and prepare an acceptance report. Relevant environmental protection facilities shall be put into service with the major projects at the same time.

According to the *Measures for Supervision and Management of Environmental Protection during and after Project Construction (Trial)* (《建設項目環境保護事中事後監督管理辦法(試行)》) issued and effective on December 10, 2015 by the Ministry of Ecological Environment, construction entities shall fully disclose the environmental protection-related information, including but not limited to environmental impact assessment documents. During the process of project construction, construction entities that fail to comply with the requirements of the approved environmental impact assessment documents and official replies and cause ecological damage shall be held legally liable. The competent administration of environmental protection will order construction entities that fail to disclose or fail to truthfully disclose environmental information of construction projects to disclose such information, fine them and make announcements about it.

### 5. Import and Export Trade Regulation

According to the *Customs Law of the People's Republic of China* (《中華人民共和國海關法》) issued by SCNPC on January 22, 1987, effective on January 22, 1987, and revised on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, and November 4, 2017 (with the latest revision effective on November 5, 2017) respectively, and the *Provisions on the Administration of Registration of Customs Declaration Entities* (《海關報關單位註冊登記管理規定》) issued by the GAC on March 13, 2014 and revised on December 20, 2017 and May 29, 2018 (with the latest revision effective on July 1, 2018) respectively, unless otherwise specified, the consignees and consignors of import and export commodities can go through the corresponding customs declaration procedures themselves or entrust the declaring enterprises authorized by competent customs for registration to do so. The consignees and consignors of import and export commodities as well as the declaring enterprises shall register with competent customs according to law. The owners of outbound and inbound items can go through the corresponding customs and tax declaration procedures themselves or entrust others to do so.

According to the *Foreign Trade Law of the People's Republic of China* (《中華人民共和國對外貿易法》) issued by SCNPC on May 12, 1994, effective on July 1, 1994, and revised on April 6, 2004 and November 7, 2016 (with the latest revision effective on November 7, 2016) respectively, foreign trade operators engaged in import and export of commodities or technologies shall make registration with the competent administration of foreign trade under the State Council or authority entrusted by it, except for those exempted from registration by laws, administrative rules and rules of the competent administration of foreign trade under the State Council. The detailed rules on the registration shall be stipulated by the department in charge of foreign trade under the State Council. Customs shall not handle the declaration and clearance procedure for commodities imported or exported by a foreign trade operator who fails to go through the registration in accordance with the rules.

---

## REGULATORY OVERVIEW

---

According to the *Law of the People's Republic of China on Import and Export Commodity Inspection* (《中華人民共和國進出口商品檢驗法》) issued by SCNPC on February 21, 1989, and revised on April 28, 2002, June 29, 2013, April 27, 2018, and December 29, 2018 (with the latest revision effective on December 29, 2018) respectively, and the *Regulation for the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection* (《中華人民共和國進出口商品檢驗法實施條例》) issued by the State Import and Export Commodities Inspection Bureau of the PRC on October 23, 1992, and then revised on August 31, 2005, July 18, 2013, February 6, 2016, March 1, 2017, and March 2, 2019 respectively and reissued by the State Council (with the latest revision effective on March 2, 2019), import and export commodities which are listed in the catalog are subject to inspection by the corresponding commodity inspection authorities. Commodities that have not been inspected are not allowed to be sold or used while those failing to pass inspection are prohibited from exporting. Consignees or their agents whose import commodities shall be inspected by the export and import commodity inspection authority shall send their commodities for inspection to the above authority of the place where declaration is carried out. Customs shall inspect and declare such commodities according to the commodity clearance certificate issued by the above authority. Consignors or their agents whose export commodities shall be inspected by the export and import commodity inspection authority shall send their commodities for inspection to the above authority at the place and within the time period specified by such authority. The export and import commodity inspection authority shall complete the inspection within the time period uniformly formulated by the State Import and Export Commodities Inspection Bureau and issue the inspection certificate to which customs can refer for inspection and clearance. Entities violating the above regulations will have their illegal proceeds confiscated and themselves fined by the export and import commodity inspection authority. In case of criminal offense, they will be held legally liable.

### 6. Foreign Exchange Regulation

According to the *Regulations of the People's Republic of China on Foreign Exchange Administration* (《中華人民共和國外匯管理條例》), issued on January 29, 1996, revised on January 29, 1996, January 14, 1997, August 5, 2008 respectively, and effective on August 5, 2008, and other legal provisions formulated by the State Foreign Exchange Administration of the People's Republic of China and other relevant governmental departments, Renminbi can be exchanged into other currencies for current account transactions (such as trade-related receipts and payment as well as interest and dividend payment). For capital account transactions (such as direct equity investment, loan and divestment), exchanging Renminbi into other currencies and remitting the foreign currencies exchanged out of China shall be approved in advance by SAFE or its branches. Transactions made within the territory of China shall be paid in Renminbi. Domestic shareholders of domestic companies listed overseas who intend to increase or decrease their shares of such overseas listed companies according to relevant regulations shall register with the SAFE office in the place of domicile of such domestic shareholder for overseas holdings with 20 working days before they do so.

According to the *Notice on the Administration of Foreign Exchange for Overseas Investment and Financing as well as Return Investment of Domestic Individuals via Special Purpose Company* 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》 (the “**Notice No. 37**”) issued and implemented by SAFE on July 4, 2014, domestic individuals shall apply to SAFE to go through registration procedures for foreign exchange of overseas investment before they make investment with their domestic or overseas legal assets or equities to special purpose companies. According to the Notice No. 37, “domestic entities” refer to enterprises, institutions and other economic organizations founded within the territory of China according to the laws; “domestic individuals” refer to Chinese citizens holding Chinese residential IDs, military

---

## REGULATORY OVERVIEW

---

IDs and armed police IDs as well as foreigners who have no legal Chinese IDs but normally live in China due to economic interests.

According to the *Notice on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by SAFE on February 13, 2015 and effective on June 1, 2015, the two administrative approval events, namely foreign exchange registration and check under domestic and overseas direct investments shall be directly examined and handled by banks, and SAFE and its branches will indirectly supervise the foreign exchange registration of direct investment via banks.

According to the *Notice of the State Administration of Foreign Exchange on Reforming the Management of Foreign Exchange Capital Settlement of Foreign-funded Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本結匯管理方式的通知》) issued and implemented by SAFE on March 30, 2015 and June 1, 2015 respectively and revised on December 30, 2019 as well as the *Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies for Settlement of Capital Account Transactions* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued and implemented by SAFE on June 9, 2016, the foreign exchange earnings from foreign exchange capital account transactions of enterprises allowing foreign investment is subject to voluntary settlement; foreign exchange capitals which received monetary contribution equity confirmation from SAFE (or went through monetary contribution entry registration via banks) and belonged to the capital accounts of foreign-funded enterprises can be settled at banks as per the actual management needs of such enterprises. The proportion of voluntary settlement of capital account transactions of foreign exchange capitals in foreign-funded enterprises is temporarily set as 100%, which is subject to timely adjustment made by SAFE as per international balance of payment. In addition, foreign-funded enterprises are not allowed to apply foreign exchange earnings under capital account transactions and the Renminbi funds settled thereby for the following purposes: (1) paying directly or indirectly the expenses beyond their business scope or those prohibited by national regulations and rules; (2) directly or indirectly used for securities investment or other investment and wealth management products except for principal-guaranteed products launched by banks (unless otherwise expressly specified); (3) granting loans to non-affiliated companies (except explicitly approved within business scope); and (4) building or purchasing real estate not for their own use (except for real estate enterprises).

### 7. Foreign Investment Regulation

The *Company Law of the People's Republic of China* (《中華人民共和國公司法》) issued by SCNPC on December 29, 1993 and revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 (with the latest revision effective on October 26, 2018) respectively regulates the organization and activities of companies in China. The *Company Law of the People's Republic of China* regulates and manages two types of companies set up within China, namely limited liability company and joint stock limited company. Both companies are legal persons, with the shareholders of the former being responsible for the company to the extent of the capital contributions they have paid while those of the latter being responsible for the company to the extent of the share they have subscribed for. The *Company Law of the People's Republic of China* is also applicable to foreign-funded enterprises within China.

According to the *Provisions on Guiding Foreign Investment Direction* (《指導外商投資方向規定》) issued by the State Council on February 11, 2002 and effective on April 1, 2002, all foreign investment projects are

---

## REGULATORY OVERVIEW

---

classified into four types, namely encouraged, permitted, restricted and prohibited. Those belonging to the encouraged, restricted and prohibited types are listed into the guidance catalog for foreign-funded industries. Those not belonging to the three categories mentioned above are the permitted type, except for the projects expressly prohibited or restricted by other free trade zone agreements or relevant investment agreements between China and other countries or regions.

The *Foreign Investment Law of the People's Republic of China* (《中華人民共和國外商投資法》) issued by SCNPC on March 15, 2019 and implemented on January 1, 2020 stipulates that for the promotion, protection and management of foreign investment, consultation and services in terms of laws and regulations, policies and measures, investment project information will be provided to foreign investors and foreign-funded enterprises, and foreign investors will be encouraged and guided to invest in certain sectors, fields and regions. Foreign investors and foreign-funded enterprises can enjoy preferential treatment specified by laws, administrative regulations or the State Council. The State implements a negative list management system for foreign investment.

According to the *Special Management Measures (Negative List) for Foreign Investment Access (2020)* (《外商投資准入特別管理措施(負面清單)(2020年版)》) issued by NDRC and MOFCOM on June 23, 2020, foreign investors cannot invest in fields where foreign investment is prohibited as per the *Negative List for Foreign Investment Access*. For non-prohibited investment fields within the *Negative List for Foreign Investment Access*, foreign investment access permit is required. For fields with equity requirements, foreign investment partnership enterprises shall not be set up.

### 8. Tax Regulation

#### (1) Enterprise Income Tax

According to the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法》), issued on March 16, 2007, revised and reissued on December 29, 2018, and the *Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法實施條例》), issued on December 6, 2007 and revised on April 23, 2019), the enterprise income tax rate of 25% is uniformly applied to domestic and foreign-funded enterprises. The resident enterprises shall pay enterprise income tax for the income derived from inside and outside the PRC. A non-resident enterprise that has an institution or establishment within the territory of China shall pay enterprise income tax on its income derived from sources within the territory of China and income derived from the sources outside the territory of China that have actual connections with the relevant institution or establishment. A non-resident enterprise which has no institution or establishment within the territory of China, or which, despite the institution or establishment within the territory of China, has no actual connection between its income and the relevant institution or establishment, shall pay enterprise income tax on its income derived from sources within the territory of China.

#### (2) Value-added Tax (VAT)

According to the *Provisional Regulations on Value-added Tax of the People's Republic of China* (《中華人民共和國增值稅暫行條例》) issued by the State Council on December 13, 1993, effective on January 1, 1994, and revised on November 5, 2008, February 6, 2016 and November 19, 2017, and the *Detailed Rules for the*

---

## REGULATORY OVERVIEW

---

*Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China* (《中華人民共和國增值稅暫行條例實施細則》) issued by MOF and SAT on December 18, 2008, effective on January 1, 2009, and revised on October 28, 2011 (with the latest revision effective on November 1, 2011), value-added tax shall be levied on entities and persons that engage in sales of goods, processing, repair and maintenance services, and sales of services, intangible assets, immovable property and import goods within the territory of China.

According to the *Notice on the Issuance of Pilot Scheme for the Conversion of Business Tax to VAT* (《營業稅改徵增值稅試點方案》的通知) issued by MOF and SAT and effective on November 16, 2011, and the *Notice on Comprehensively Implementing the Pilot Program for Changing Business Tax to VAT* (《關於全面推開營業稅改徵增值稅試點的通知》) issued by MOF and SAT on March 23, 2016 and effective on May 1, 2016, a pilot operation of converting business tax to VAT was carried out in the pilot zone on January 1, 2012.

According to the *Circular on Adjusting Value-added Tax Rate* (《關於調整增值稅稅率的通知》) issued by MOF and SAT on April 4, 2018 and implemented on May 1, 2018, the tax rate for the taxable sales or import of goods by the tax payer would be changed from 17% and 11% to 16% and 10% respectively. For the export goods that were subject to the tax rate of 17% and the export tax rebate rate of 17%, the export tax rebate rate would be adjusted to 16%. For the export goods and cross-border taxable activities that were subject to the tax rate of 11% and the export tax rebate rate of 11%, the export tax rebate rate would be adjusted to 10%.

In accordance with the provisions of the *Notice on Deepening Relevant Policies for VAT Reform* (《關於深化增值稅改革有關政策的公告》) issued by MOF, SAT and GAC on March 30, 2019 and implemented on April 1, 2019, if the general VAT taxpayer has a VAT taxable sale or import of goods, the tax rate shall be adjusted to 13% where the original tax rate is 16%, and adjusted to 9% where the original tax rate is 10%. For the export goods and services that were subject to the tax rate of 16% and the export tax rebate rate of 16%, the export tax rebate rate would be adjusted to 13%. For the export goods and cross-border taxable activities that were subject to the tax rate of 10% and the export tax rebate rate of 10%, the export tax rebate rate would be adjusted to 9%.

### (3) VAT Rebate on Exports

According to the *Administrative Measures on Tax Rebate (Exemption) for Export Goods (Trial)* (《出口貨物退(免)稅管理辦法(試行)》) issued by SAT on March 16, 2005 and effective on May 1, 2005, revised on June 15, 2018, except as otherwise provided, the goods exported by an export agent may enjoy VAT rebate or exemption approved by the competent tax authorities after declaration for export and financial accounting of sales.

### (4) Environmental Tariff

In accordance with the *Environmental Protection Tax Law of the People's Republic of China* (《中華人民共和國環境保護稅法》) issued by SCNPC on December 25, 2016, implemented on January 1, 2018 and revised on October 26, 2018, and the *Regulations on the Implementation of the Environmental Protection Tax Law of the People's Republic of China* (《中華人民共和國環境保護稅法實施條例》) issued by the State Council on December 25, 2017 and implemented on January 1, 2018, enterprises, institutions and other producers and business operators that directly discharge taxable pollutants into the environment within the territory of the

---

## REGULATORY OVERVIEW

---

People's Republic of China and in other sea areas under the jurisdiction of the People's Republic of China are taxpayers of environmental tariff and shall pay environmental tariff in accordance with the law.

### (5) Dividend Tax

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法》) and the *Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法實施條例》), except as otherwise provided in the relevant tax convention with the central government of China, the dividend paid to the foreign investor of a non-resident enterprise which has no establishment or premise in China or whose income is actually unrelated to the establishment or premise in China shall be subject to a withholding income tax of 10%. According to the *Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) signed by the PRC government and Hong Kong, if the beneficial owner is a company that directly owns at least 25% of the capital of the dividend-paying company, the tax shall not exceed 5% of the total dividend. In any other cases, the tax shall not exceed 10% of the total dividend.

According to the *Notice on Issues relating to "Beneficial Owners" in Tax Conventions* (《關於稅收協定中“受益所有人”有關問題的公告》) issued by SAT on February 3, 2018 and effective on April 1, 2018, “beneficial owner” means a person who has title to and control over the income or the rights or property on which the income is derived. When determining the status of “beneficial owner” of a resident of the contracting party who shall enjoy the preferential treatment of a tax convention (the “Applicant”), a comprehensive analysis shall be made in light of the actual situation of the specific case. Generally speaking, the following factors are not conducive to the determination the status of the Applicant’s “beneficial owner”: (i) the Applicant has the obligation to pay more than 50% of the income to the residents of a third country (region) within 12 months after receipt of the income. “Obligation” includes a contractual obligation and the situation in which the fact of payment is formed even though the obligation is not agreed. (ii) The business activities undertaken by the Applicant do not constitute substantial business activities. Substantial business activities include substantial manufacturing, distribution, management and other activities. Whether the business activities the Applicant is engaged in is substantial or not, it should be judged according to its actual performance and the risk it bears. The substantial investment and holding management activities undertaken by the Applicant may constitute substantial business activities. Where the Applicant engages in investment and holding management activities that do not constitute substantial business activities and engages in other business activities at the same time, if other business activities are not significant enough, they shall not constitute substantial business activities. (iii) The other contracting state (region) does not tax the relevant income or grants tax exemption on the relevant income or applies an extremely low tax rate on the relevant income. (iv) In addition to the loan contract on which the interest is generated and paid, there are other loan or deposit contracts similar in amount, interest rate and signing time between the creditor and the third-party. (v) In addition to the contract for the assignment of the right to the use of copyright, patent, technology, etc. on which the royalties are generated and paid, there is a contract for the assignment of the right to the use or ownership of copyright, patent, technology, etc. between the Applicant and a third-party.

According to the *Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements* (《國家稅務總局關於執行稅收協定股息條款有關

---

## REGULATORY OVERVIEW

---

問題的通知》) issued by SAT and effective on February 20, 2009, the preferential tax rate of the tax convention shall be subject to the following conditions: (i) the tax resident receiving the dividend shall be limited to the company under the tax convention; (ii) of the total owner's equity and voting shares of the Chinese resident company, the proportion directly owned by the tax resident conforms to the proportion stipulated in the tax convention; and (iii) the proportion of the capital of the Chinese resident company directly owned by the tax resident shall at all times meet the proportion stipulated in the tax agreement within 12 months prior to the receipt of the dividend.

Pursuant to the *Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers* (《非居民納稅人享受協定待遇管理辦法》) issued by SAT on October 14, 2019 and effective on January 1, 2020, for the tax convention treatment for non-resident taxpayers, it shall be processed based on the principle of “self-judgment, application for entitlement and retention of documents for future reference”. Any non-resident taxpayer who, in its own judgment, deems itself eligible for the treatment prescribed in the tax convention, may exercise the right of convention treatment when filing a tax return or making a withholding declaration through a withholding agent, provided that it shall collect and retain the relevant documents according to the provisions of the Measures for future reference and be subject to the subsequent administration by the tax authorities.

### 9. Regulation against Unfair Competition

According to the *Law of the People's Republic of China Against Unfair Competition* (《中華人民共和國反不正當競爭法》) issued by SCNPC on September 2, 1993, effective on December 1, 1993, revised on November 4, 2017 and April 23, 2019 (with the latest revision effective on April 23, 2019) respectively, a business operator shall, in its market transactions, follow the principles of voluntariness, equality, fairness, honesty and credibility and comply with relevant laws and business ethics. Besides, a business operator shall not engage in market transactions by improper means such as implementing confusing behaviors which lead people to mistake its commodities for those of others or for having certain associations with others, obtaining transaction opportunities or competition advantages by offering money or goods or other bribery means, deceiving or misleading consumers via false or misleading commercial promotions, infringing trade secrets, fabricating or spreading false or misleading information, or impairing the business reputation and goodwill of competitors, nor shall it harm the legal rights and interests of other operators and disturb social economic order. Business operators who violate such law and cause damage to others shall bear civil liabilities according to law. Besides, fines may also be imposed. If circumstances are serious, their business licenses will be revoked. In case of criminal offense, they shall be held criminally liable according to law.

### 10. Labor and Social Security Regulation

According to the *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), issued on July 5, 1994, revised and reissued on December 29, 2018, companies must conclude employment contracts with their employees based on the principle of equity after reaching consensus through consultation. Companies must establish and improve occupational health systems, strictly implement national occupational safety and health rules and standards, and educate employees on occupational safety and health to prevent accidents during the labor process and reduce occupational hazards. Furthermore, employers and employees shall participate in social insurance and pay social insurance premiums according to law.

---

## REGULATORY OVERVIEW

---

### (1) Employment Contract

The *Labor Contract law of the People's Republic of China* (“**Labor Contract Law**”, 《中華人民共和國勞動合同法》), issued on June 29, 2007, revised on December 28, 2012, and reissued on July 1, 2013, is the law regulating the labor contract relationship between companies and employees. According to the Labor Contract Law, employers have established an employment relationship with employees since the date of employment. Employers shall conclude written employment contracts with their employees. In addition, the calculation of probation period and damage compensation is subject to provisions of laws in order to guarantee the legal rights and interests of employees.

### (2) Social Insurance and Housing Provident Fund

Employers and individuals within the territory of China shall legally participate in the payment of the premium of social insurance and housing provident fund according to the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》), issued and effective on December 29, 2018, the *Regulations on Work-related Injury Insurances* (《工傷保險條例》), issued on April 27, 2003, revised on December 20, 2010, and reissued on January 1, 2011, the *Trial Measures for Maternity Insurance of Enterprise Employees* (《企業職工生育保險試行辦法》), issued and effective on December 14, 1994 and implemented on January 1, 1995, and the *Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》), revised and reissued on March 24, 2019.

### (3) Prevention and Control of Occupational Diseases

According to the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》) issued by SCNPC on October 27, 2001, and revised on December 31, 2011, July 2, 2016, December 29, 2018 (with the latest revision effective on December 29, 2018), where a new construction, expansion, or reconstruction project or a technical improvement and technology introduction project may cause any occupational disease hazards, the construction entity shall (1) assess in advance the occupational disease hazards at the feasibility study stage; (2) evaluate the effects of occupational disease hazard control before the acceptance check of the construction project; and (3) legally organize acceptance check to the protective facilities against occupational diseases. The protective facilities against occupational diseases may be put into use in regular production and other operations only after passing the acceptance check. Besides, employers shall (1) establish and improve a responsibility system for the prevention and control of occupational diseases, strengthen the management of the prevention and control of occupational diseases, improve their capabilities of the prevention and control of occupational diseases, and assume responsibilities for their own occupational disease hazards; (2) participate in work-related injury insurance according to law; (3) adopt effective protective facilities against occupational diseases and provide employees with occupational disease protection items satisfying the requirements for the prevention and control of occupational diseases for personal use; (4) install alarms and provide on-site rescue items, washing equipment, emergency evacuation exits, and necessary hazard buffer zones for toxic or harmful work sites where acute occupational injuries may occur; and (5) truthfully inform their employees of the occupational disease hazards which may arise in the work process, the consequences thereof, the protective measures against occupational diseases, remuneration, and other matters and include the same in the employment contracts, and shall not conceal such information or defraud their employees when signing employment contracts.

---

## REGULATORY OVERVIEW

---

### 11. Intellectual Property Regulation

#### (1) Trademark

According to the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), issued on August 23, 1982, last revised on April 23, 2019 and reissued on November 1, 2019, and the *Regulations for the Implementation of the Trademark Law of the People's Republic of China* (《中華人民共和國商標法實施條例》), effective on September 15, 2002, revised on April 29, 2014 and effective on May 1, 2014, the right to exclusive use of a registered trademark shall be limited to the trademark that has been approved for registration and the commodities that have been approved for use. The period of validity of a registered trademark shall be ten years, starting from the date of approval of the registration. It's an infringement of the right to exclusive use of a registered trademark to use a trademark that is identical with or similar to the registered trademark in respect of the same or similar goods without the authorization of the proprietor of the registered trademark. Infringer shall stop the infringing act, take corrective measures and compensate for the damage caused according to relevant regulations.

#### (2) Patent

According to the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), issued on March 12, 1984, last revised on December 27, 2008, and reissued on October 1, 2009, and the *Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》), effective on July 1, 2001, revised on January 9, 2010 and effective on February 1, 2010, after the grant of the patent right for an invention or utility model, except as otherwise provided for in the law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, use, offer to sell, sell or import the patented product; or use the patented process or use, offer to sell, sell or import the product directly obtained via the patented process, for production or business purposes. After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, exploit the design, that is, make, offer to sell, sell or import the product incorporating its or his patented design, for production or business purposes. If an infringement act is found to be true, the infringed can ask the infringer to stop his/her infringing act, take corrective measures and compensate the damage caused according to the relevant regulations.

### 12. Cybersecurity and Data Security Regulation

On December 28, 2021, the Cyberspace Administration of China (“CAC”) and other twelve PRC regulatory authorities jointly revised and promulgated the *Cybersecurity Review Measures* (“**Cybersecurity Review Measures**”, 《網絡安全審查辦法》) which has come into effect on February 15, 2022. The *Measures for Cybersecurity Review* (《網絡安全審查辦法》) which took effect on June 1, 2020 was abolished at the same time. According to the *Cybersecurity Review Measures*, (i) the purchase of cyber products and services by Critical Information Infrastructure Operators (“**CIIO**”), and the data processing activities by a network platform operator (“**NPO**”), to the extent that affects or may affect national security, will be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) a NPO who handles personal information of more than 1 million individual users shall apply for a cybersecurity review before listing of the operator's securities in a foreign country (國外上市); and (iii) the relevant governmental authorities may initiate a cybersecurity review if such governmental authorities believe that a network product or service or data processing activity affect or may affect national security.

---

## REGULATORY OVERVIEW

---

According to the *Regulations on the Security Protection of the Critical Information Infrastructure* (《關鍵信息基礎設施安全保護條例》), competent authorities as well as the supervision and administrative authorities of the specific important industries and sectors are responsible for the security protection of CIIOs (“**Protection Departments**”). The Protection Departments shall formulate the recognition rules for the critical information infrastructure, and shall, according to such recognition rules, be responsible for organizing the recognition of the critical information infrastructure in the industry or field concerned, and informing the relevant operators of the recognition results in a timely manner and notifying the public security department under the State Council of the same.

On November 14, 2021, the CAC published a discussion draft of the *Regulations on the Administration of Cyber Data Security (Draft for Comments)* (《網絡數據安全管理條例(徵求意見稿)》) (“**Draft Cyber Data Security Regulations**”), which regulates the specific requirements in respect of the data processing activities conducted by data processors through internet in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. The Draft Cyber Data Security Regulations require that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) overseas listings of data processors processing over one million persons’ personal information; (iii) listings in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no clarifications from the authorities as of the Latest Practicable Date as to the standards for determining such activities that “affects or may affect national security”. If the data processing activities of a Hong Kong listed company or a company that is in the process of applying for listing in Hong Kong are deemed as “affects or may affect national security” and such company has failed to conduct cybersecurity review according to the relevant laws and regulations, such company will be requested to take rectification actions, subject to disciplinary warning, and/or imposed an administrative penalty ranging from RMB50,000 to RMB500,000 for a single violation incident. Furthermore, if such violation causes material impact or such company refuses to rectify the violation, such company may be subject to more severe penalties, such as revocation of relevant business licenses and permits.

Since the Draft Cyber Data Security Regulations have not been adopted yet, the final content of the Draft Cyber Data Security Regulations (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty. As advised by our PRC Legal Advisors, we believe that we would be able to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations (if implemented in its current form) in all material aspects. After consulting our PRC Legal Advisors, our Directors are of the view that the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations (if implemented in its current form) would not have any material adverse impact on our business operations or the proposed Listing in Hong Kong.

### 13. Overseas Listing Regulation

On December 24, 2021, the CSRC published the *Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (“**Draft Administrative Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (“**Draft Measures for Filing**”), together with the Draft Administrative

---

## REGULATORY OVERVIEW

---

Provisions, “**Drafts relating to Overseas Listings**”), which are open for public comments until January 23, 2022. The Drafts relating to Overseas Listings require, among others, that PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted. Moreover, according to Article 7 of the Draft Administrative Provisions, an overseas offering and listing is prohibited under circumstances if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as reviewed and determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) in recent three years, the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not yet come into force.

In addition, according to the “*Reply to the Reporters’ Question by the CSRC Responsible Officers*” (證監會有關負責人答記者問) dated December 24, 2021, the CSRC clarified that it adheres to the principle of non-retroactivity of the law, and the CSRC would start with the incremental enterprises (增量企業), i.e., impose filing procedures on incremental enterprises as well as stock enterprises (存量企業) with refinancing requests, while filing by other stock enterprises will be arranged separately so as to give them a sufficient transitional period. However, the CSRC Responsible Officers did not provide a clear definition of these terms. Therefore, whether our Company, for the purpose of this Listing, is an “incremental enterprise (增量企業)” or a “stock enterprise (存量企業)” is subject to further explanation by the CSRC. We cannot guarantee that we will be categorized as a “stock enterprise (存量企業)” by the CSRC.

As of the Latest Practicable Date, the final version and the effective date of the Drafts relating to Overseas Listings were still subject to change with substantial uncertainty. Assuming the Drafts relating to Overseas Listings subsequently come into effect in accordance with the current draft version, we may be required to complete the filing procedures with the CSRC in connection with the overseas listings.

As advised by our PRC Legal Advisors, we do not fall within any of the circumstances clearly described and specified in Article 7 of the Draft Administrative Provisions in which overseas issuance and listing are prohibited and have complied with other requirements under the Draft Administrative Provisions. Further, we have satisfied the requirements in relation to filing under the Draft Measures for Filing and other relevant regulations. Going forward, we will continue to pay close attention to the legislative and regulatory developments in respect of overseas listing of domestic enterprises, comply with the specific regulatory requirements and perform the filing procedures or information reporting procedures in accordance with the requirements of the overseas listing regulations where applicable to us, with the assistance of our onshore and offshore counsel teams. If the Drafts relating to Overseas Listings come into effect, as long as we comply with all relevant legal requirements, take all necessary steps and submit all relevant materials in accordance with the New Overseas Listing Regulations, our Directors and PRC Legal Advisors are of the view that there is no any material legal impediment in completing the filing procedure with the CSRC.

---

## REGULATORY OVERVIEW

---

### OVERSEAS LAWS AND REGULATIONS

During the Track Record Period, we generated the majority of our revenue from the overseas markets. Revenue from sales to the overseas market accounted for 74.8%, 72.6%, 66.2% and 60.2% 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 sold in these jurisdictions are subject to certain laws and regulations in the respective jurisdiction in relation to tariffs, anti-dumping duties, and product liabilities. Below is a summary of the relevant tariffs, anti-dumping duties, and product liabilities laws and regulations of the United States, Japan, Lithuania and the UAE that we consider material to our business.

#### U.S. laws and regulations

##### *Product liabilities and safety*

There are no uniform federal laws or regulations on product liability in the United States. Each state provides for its own laws and regulations on product liability. Although differences do exist, the vast majority of states have adopted similar laws that share common principles. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. Product liability claims may be based on negligence, strict liability or breach of warranty. Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, whether or not the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-US jurisdiction. During the Track Record Period, our largest customer in the United States by revenue operated in New Jersey. In New Jersey, the major law relating to product liabilities and safety is the New Jersey Product Liability Act ("NJPLA"). The NJPLA provides the sole basis for relief available to consumers in New Jersey who are injured by a defective product. According to the NJPLA, a manufacturer or seller of a product shall be liable in a product liability action only if the claimant proves by preponderance of the evidence that the product causing the harm was not reasonably fit, suitable or safe for its intended purpose because it: (i) deviated from the design specification, formula, or performance standards of the manufacturer or from otherwise identical units manufactured to the same manufacturing specifications or formulae, or (ii) failed to contain adequate warnings or instructions or (iii) was designed in a defective manner.

Regarding the laws regulating the safety of wheels, the laws and regulations are at the federal level in the United States. Two main regulations are the Federal Motor Vehicle Safety Standards and Regulations ("FMVSS") No. 110 (tire selection/trims for passenger cars weighing less than 10,000 pounds) and the FMVSS No. 120 (tire selection/trims for passenger care weighing more than 10,000 pounds). These two rules set up the proper size tire/wheel combination for passenger cars sold in the United States to prevent tire overloading.

To the best knowledge of our Directors, no legal claim has been made against us in the United States arising from product defects during the Track Record Period.

##### *Import tariffs regulations*

Our shipments of products to the United States are subject to custom inspection and compliance with relevant laws, regulations, and rules administered by U.S. Customs and Border Protection ("CBP"), which is part of the U.S. Department of Homeland Security. The CBP is a federal law enforcement agency that is

---

## REGULATORY OVERVIEW

---

responsible for enforcing U.S. trade and customs regulations, including those applicable to the importation of our products into the United States. An importer of goods to the U.S. is responsible to exercise reasonable care to confirm that all information declared to the CBP is complete and accurate. As our products sold to the United States are delivered on an FOB basis, we do not need to fulfill the import formalities borne by the importer.

Our products imported for sale in the United States are subject to tariff duties as provided in the Harmonized Tariff Schedule (“**HTS**”), which is annexed to the Tariff Act of 1930 (“**Tariff Act**”). According to the HTS, all goods imported into the United States are subject to duty or duty-free entry in accordance with their classification under the applicable items in the HTS. Our Group’s products, aluminum alloy automobile wheels, falls under Chapter 87, heading “vehicles other than railway or tramway rolling stock, and parts and accessories thereof” of the HTS. There are a number of provisions of the United States trade law which allow or result in modification of these duties. They include provision of general application and China-specific provisions. Since May 10, 2019, the United States government raised the tariff to 25% on certain products imported from the PRC, which includes our Group’s aluminum alloy automobile wheels. For details of the impact on our business, financial condition and results of operation, please refer to the paragraph headed “Risk Factors – Our products are subject to additional tariff imposed by the United States government since May 2019” in this prospectus.

### *Anti-dumping laws*

Similar to import duties and quotas, the anti-dumping laws of the United States are promulgated at the federal level. Currently, the anti-dumping provisions are provided in the Tariff Act and the 1988 Trade Act. The U.S. Department of Commerce and the U.S. International Trade Commission (“**ITC**”) jointly administers the United States anti-dumping laws. In general, if the ITC determines that a dumping practice has caused damages to a U.S. manufacturer, it will subject the imported products to a dumping duty. Currently, the United States do not have any duty imposed on aluminum wheels imported from the PRC.

### **Lithuania laws and regulations**

#### *Product liabilities and safety*

The principles and rules of civil liability are governed by the Civil Code of the Republic of Lithuania (“**Civil Code**”). Under the Civil Code, the obligation to compensate for damage caused by defective products remains with the producer of the products. The “producer” means the manufacturer of the final product, a component part of a product, or of raw materials or another person who identifies itself as a producer by marking the product in its name, trademark or any other distinguishing mark. If the damage was caused by the actions of several parties (e.g. the producer of a defective product and a party who incorporated the defective product into another product), all such parties are jointly and severally liable. A product shall be deemed defective for the purposes of product liability if it does not meet the safety requirements that the consumer can reasonably expect.

Requirements on product safety are set forth in the Law of the Republic of Lithuania on Product Safety (the “**Law on Product Safety**”). The main principle and obligation is that all products placed on the market must be safe. According to Law on Product Safety, the competent authorities are entitled to: (i) temporarily ban the placing on the market or display of the product; (ii) ban the marketing of the unsafe product and introduce

---

## REGULATORY OVERVIEW

---

accompanying measures. Fines ranging from EUR150-25,000 might be imposed to business operators for product safety infringements. Pursuant to the Law on Product Safety, a “business operator” includes manufacturers, authorized representatives, importers, distributors who place the products intended for both consumer and professional use in the EU and Lithuania market. If the manufacturer is not established in the EU, the importer of the product will be considered as the manufacturer.

To the best knowledge of our Directors, no legal claim has been made in Lithuania against us arising from product defects during the Track Record Period.

### *Import tariffs regulations*

Lithuania is a part of the European Union Customs Union and is therefore subject to the customs legislations of the EU. Our products imported for sale in Lithuania may be subject to import duties as provided pursuant to the Council Regulation (EEC) No. 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff (“CCT”). Our Group’s products, aluminum alloy automobile wheels, appears to fall under the category “wheels of aluminum, parts and accessories of wheels, of aluminum” which carries a 4.5% import duty.

### *Anti-dumping regulations*

The anti-dumping provisions in Lithuania are regulated by EU laws. The European Commission is responsible for investigating dumping claims and imposing corresponding anti-dumping measures. Pursuant to the Commission Implementing Regulation (EU) 2017/109, the EU has imposed a definitive anti-dumping duty on imports of certain aluminum road wheels originating from the PRC. The said anti-dumping duty applies to wheels under the category of “wheels of aluminum, parts and accessories of wheels, of aluminum” which appears to include our Group’s products imported for sale in Lithuania. The rate of the definitive anti-dumping duty on the aluminum road wheels is 22.3%. The date of expiry of the anti-dumping measure is January 24, 2022.

## **Japan laws and regulations**

### *Product liabilities and safety*

Pursuant to the Product Liability Act in Japan, manufacturers and importers shall be liable for damages arising from the infringement of life, body or property of others which is caused by the defect in the delivered product which was manufactured or imported. The term “defect” means a lack of safety that the product ordinarily should provide, taking into account the nature of the product, the ordinarily foreseeable manner of use of the product, the time when the manufactures and importers delivered the product, and other circumstances concerning the product.

To the best knowledge of our Directors, no legal claim has been made against us in Japan arising from product defects during the Track Record Period.

### *Product certification and quality requirements*

Pursuant to Article 9 of the Security Standards for Road Transport Vehicles, all driving devices for automobiles must comply with the standards specified in the notice with regards to strength etc. as it is possible

---

## REGULATORY OVERVIEW

---

to be strong to ensure safe operation. There are technical standards for disc wheels made of light alloy for use in road cars which provides for testing devices, testing methods, acceptance criteria, shape dimensions and representations to ensure the wheels conform to the technical standards. The tests provided for in the technical standards must be carried out by manufacturers at their responsibility. Our Group obtained the certification of accreditation issued by Japan Light Alloy Automobile Wheel Testing Council on quality testing equipment in 2016, which, as confirmed by our Directors, allow us to conduct series of tests to ensure our products conform to the technical standards.

### **UAE laws and regulations**

#### *Product liabilities and safety*

Product liability and consumer protection in the UAE is provided under the UAE Federal Law No. 24 of 2006 on Consumer Protection, as amended by Federal Law Number 7 of 2011 (“**Consumer Protection Law**”). Pursuant to the Consumer Protection Law, a supplier is required, among other obligations, to return or exchange the goods in the event of any defect discovered by the consumer and be liable for any damage resultant from the usage or consumption of goods. Moreover, a provider who provides a defective or damaged product shall be “liable to make good the harm” pursuant to Article 282 of Federal Law Number 8 of 1985 on Civil Transactions. Generally, a product is considered to be a “defect” if there is any fault in the designing, processing, or manufacturing of the product or it does not conform to the specifications declared by the provider. Under Articles 10 to 15 of Regulation No. 12 of 2007, a “provider” is defined in a broad sense and includes the manufacturer of the product.

To the best knowledge of our Directors, no legal claim has been made in the UAE against us arising from product defects during the Track Record Period.

#### *Import tariffs regulations*

The UAE is a member of the Gulf Cooperation Council (“**GCC**”) Customs Union and is subject to the import tariff regulations established by the GCC. All foreign imported goods outside the GCC Customs Union are subject to customs tariff rates in accordance with its HS code as listed in the Unified GCC Customs Tariff 2017. Our Group’s products appear to fall under the category of “road wheels and parts and accessories thereof” and “wheel rims and spokes”, both of which carries a 5% tariff rate.

### **SANCTIONS LAWS AND REGULATIONS**

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

#### **U.S.**

##### *Treasury regulations*

OFAC is the primary agency responsible for administering U.S. sanctions programs against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a

---

## REGULATORY OVERVIEW

---

U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as U.S. companies and their U.S. subsidiaries); any U.S. company’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries and any other entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their locations in the world; individuals, regardless of their nationalities, physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programs currently apply to 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 (comprehensive OFAC sanctions against Sudan were terminated on October 12, 2017). OFAC also prohibits U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations identified in the SDN List or the FSE List, and prohibits certain business dealing with persons and entities identified in the SSI List (collectively hereinafter referred to as “Identified Parties”). Entities that an Identified Party owns (defined as a direct or indirect ownership interest of 50% or more, individually or in aggregate by one or more Identified Parties), are also subject to the same restrictions that apply to the Identified Party(ies) at issue, regardless whether that entity is expressly named on the SDN List, the FSE List, and/or the SSI List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person or within the United States.

### **United Nations**

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired

---

## REGULATORY OVERVIEW

---

by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

### **European Union**

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

### **United Kingdom and United Kingdom overseas territories**

As of January 1, 2021, the United Kingdom is no longer an EU member state. EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

### **Australia**

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### HISTORY AND DEVELOPMENT

#### Overview

Our history can be traced back to 2005 where our co-founder, Mr. Xu, in view of the prospects in the automobile industry, decided to leverage on his experience in manufacturing business gained from the Buyang Group and engaged in automobile wheel manufacturing business, focusing on the overseas aftermarket, through Buyang PRC. After having accumulated the relevant experience, Mr. Xu decided to expand the automobile wheel manufacturing business and incorporated Buyang Wheel, our wholly-owned subsidiary, together with his spouse, Ms. Chen, in 2007. For the biography of Mr. Xu and background of Buyang Group, please refer to “Directors and Senior Management” and “Relationship with Our Controlling Shareholders” in this prospectus.

To further develop and expand our business, we started developing the domestic aftermarket in 2011 and invested over RMB10 million to expand our production capacity in the same year, including the introduction of low pressure casting machines and painting equipment. We have also developed and registered our trademark  in 2013 and our “BYW” branded aluminum alloy automobile wheel was subsequently rated as name brand of Zhejiang province (浙江名牌) by the Zhejiang Bureau of Quality and Technical Supervision in 2018. Over the years, we have grown and reached an annual sales of over one million aluminum alloy automobile wheels in the year ended December 31, 2020 with customers from over 50 countries.

#### Milestones

Key milestones in our history are summarized as follows:

Year	Event
2007	Incorporation of Buyang Wheel
2012	First participated in SEMA Show in Las Vegas, U.S. First participated in Automechanika Frankfurt trade fair
2013	Registration of our own trademark  Obtaining the ISO/TS 16949:2009 by DEKRA Certification GmbH on automobile aluminum alloy wheel design, development and production Obtaining Work Safety Standardization Level III Corporate certification by the Jinhua Work Safety Administration* (金華市安全生產監督管理局) Obtaining certification by TÜV Rheinland Italia S.r.l. for having established and applied a quality management system for the manufacturing of aluminum wheels
2016	Our equipment obtaining the accreditation by the Japan Light Alloy Automotive Wheel Testing Council for the first time
2018	Our  automobile aluminum alloy wheel was rated as name brand of Zhejiang province (浙江名牌) by the Zhejiang Bureau of Quality and Technical Supervision

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
	Obtaining “Zhejiang Made” certification by Zhejiang Made International Certification Alliance* (浙江製造國際認證聯盟)
	Obtaining certification on fulfillment with GB/T24001-2016 idt ISO14001:2015 standard in relation to the environmental management involved during the production of aluminum alloy wheels
2019	First participated in Australian Auto Aftermarket Expo 2019 trade fair for developing the Australian market
2020	Obtaining the Yongkang City Government Quality Award (永康市政府質量獎) from the Yongkang City People’s Government
	Recognized as leading enterprise (龍頭企業) of the automobile industry in Yongkang City by the Yongkang City People’s Government
2021	Participated in China International Wheel Exhibition and was awarded the Most Influential PRC Aluminum Automobile Wheel Brand by the China Quality Miles “Aluminum Wheel” (《鋁車輪》質量萬里行) Organizing Committee

### CORPORATE STRUCTURE

Upon completion of the Reorganization, our Group consists of our Company, one intermediate holding company incorporated in Hong Kong and one operating subsidiary incorporated in the PRC.

#### Our Subsidiaries

The following table sets forth certain details of our subsidiaries:

Name	Place and Date of Incorporation and Share Capital as at the Latest Practicable Date	Equity Ownership Before Commencement of the Reorganization on September 20, 2018	Equity Ownership upon Completion of the Reorganization	Principle Business Activities
Buyang HK	Hong Kong/ November 26, 2018/HK\$10,000	100% by our Company	100% by our Company	Investment holding
Buyang Wheel	PRC/ September 3, 2007/RMB60,000,000	70% by Buyang PRC <sup>1</sup> 30% by Ms. Chen	100% by Buyang HK	Aluminum alloy automobile wheel manufacturing

*Note:*

(1) Buyang PRC was owned as to 80% by Mr. Xu and 20% by Ms. Chen before commencement of the Reorganization on September 20, 2018.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

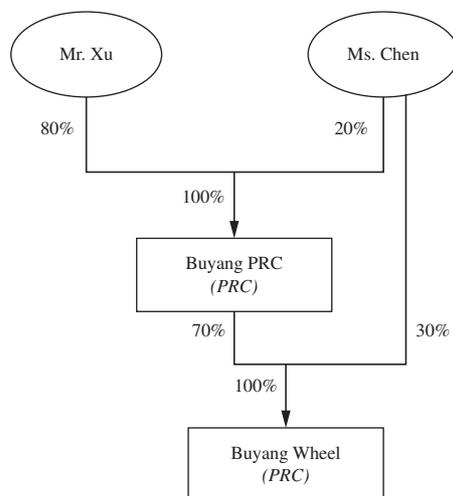
---

### REORGANIZATION

In preparation for the Listing, we have carried out the Reorganization as described below.

#### Corporate Structure Immediately Prior to the Reorganization

The following chart sets forth the shareholding and corporate structure of our Group immediately prior to the Reorganization:



#### Reorganization Steps

##### *Step 1: Conversion of Buyang Wheel into a limited liability company*

On September 20, 2018, a resolution has been passed at a shareholders' meeting of Buyang Wheel pursuant to which the conversion of Buyang Wheel from a joint stock company with limited liability to a limited liability company has been approved. The registration of the aforementioned conversion with the relevant authority has been completed on October 8, 2018.

##### *Step 2: Incorporation of the corporate Controlling Shareholders, TopSun and First Oriental*

On October 26, 2018, TopSun was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 shares of a single class with par value of US\$1.00 each. Upon incorporation, 35,000 shares and 15,000 shares were allotted and issued, credited as fully paid, to Mr. Xu and Ms. Chen, respectively.

On October 31, 2018, First Oriental was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 shares of a single class with par value of US\$1.00 each. Upon incorporation, all the 50,000 shares were allotted and issued, credited as fully paid, to TopSun.

##### *Step 3: Incorporation of our Company and Buyang HK*

On November 14, 2018, our Company was incorporated under the laws of the Cayman Islands with an initial authorized share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. Upon

---

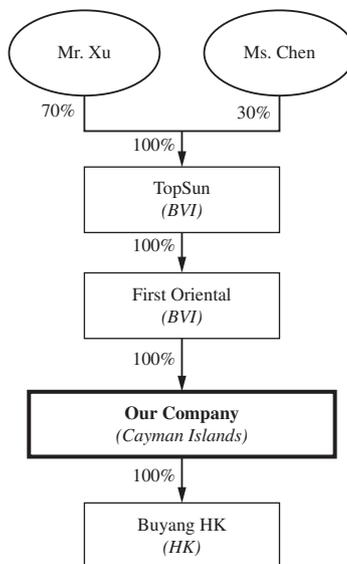
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

incorporation, one share was allotted and issued to the initial subscriber, which was in turn transferred to First Oriental on the same day. In addition, 49,999 shares with par value of US\$1.00 each were allotted and issued, credited as fully paid, to First Oriental on the same day.

On November 26, 2018, Buyang HK was incorporated under the laws of Hong Kong. Upon incorporation, 10,000 shares were allotted to our Company.

The following chart sets forth the offshore shareholding structure immediately upon completion of step 3:



#### ***Step 4: Acquisition of 70% equity interest in Buyang Wheel by Mr. Xu***

On November 15, 2018, Mr. Xu acquired 70% equity interest in Buyang Wheel from Buyang PRC at the consideration of RMB70.36 million, which was determined based on the net asset value of Buyang Wheel as at October 31, 2018. Upon completion of the aforementioned acquisition on November 23, 2018, Buyang Wheel was owned as to 70% by Mr. Xu and 30% by Ms. Chen.

#### ***Step 5: Acquisition of 1% equity interest in Buyang Wheel by Innovation Vision***

On December 11, 2018, Mr. Xu transferred 1% equity interest in Buyang Wheel to Innovation Vision, a company indirect wholly-owned by Ms. Tong Ming Yi (湯銘誼女士), at the consideration of RMB1.05 million, which was agreed between the parties on an arm's length basis and determined based on the valuation of Buyang Wheel prepared by a valuer who is an Independent Third-Party. Upon completion of the transfer on December 12, 2018, Buyang Wheel became a foreign-invested company.

Mr. Xu sold such 1% equity interest in Buyang Wheel to Ms. Tong with a view to leverage on Ms. Tong's experience and background (as further described below) and to facilitate the Reorganization. Considering the prospects and growth potential of Buyang Wheel, in particular its global market reach, and her interest in the prospect of the automobile industry, Ms. Tong decided to invest in Buyang Wheel. To the best knowledge of our Directors, Ms. Tong is a lawyer qualified in New South Wales of Australia and was a

---

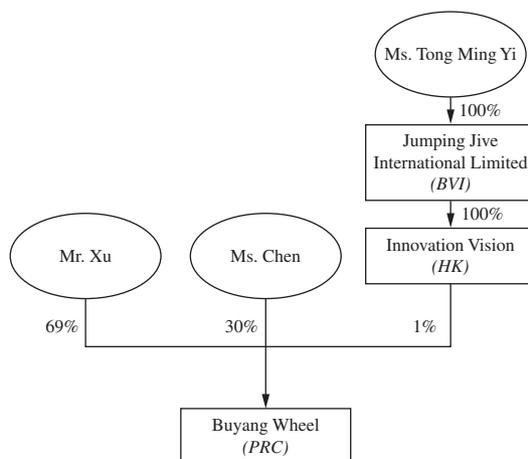
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

registered foreign lawyer in Hong Kong with over 10 years of experience in the legal industry in Hong Kong, including working as a legal executive at Stevenson, Wong & Co. Solicitors and as an associate of Harney Westwood & Riegels, an offshore law firm in Hong Kong.

As confirmed by Mr. Xu and Ms. Chen, Ms. Tong was introduced to Mr. Xu due to her experience and knowledge in the legal field and the corporate market, including her experience with offshore corporate structure as well as experience in the listing processes, and, save for Ms. Tong's involvement in the Reorganization, Ms. Tong is an Independent Third Party and there is no any past or present relationship or arrangement between (i) Ms. Tong and (ii) Mr. Xu and Ms. Chen, including family, business, financing, trust, guarantee or otherwise.

The following chart sets forth the onshore shareholding structure immediately upon completion of step 5:



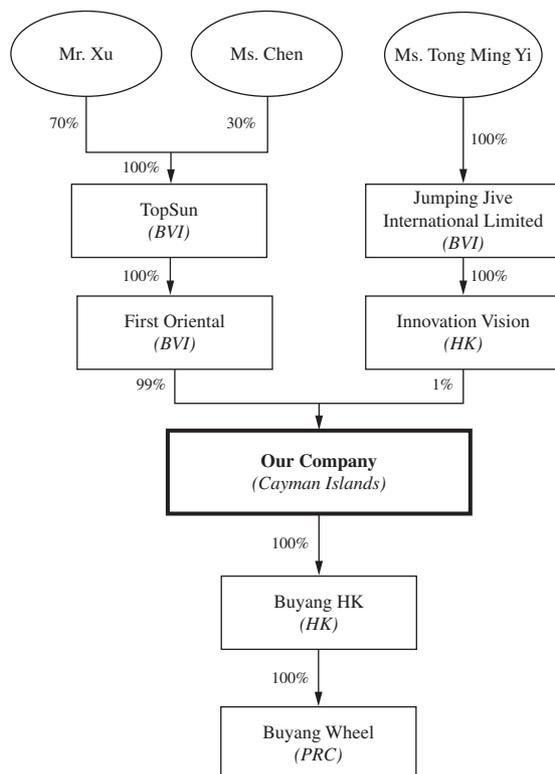
### ***Step 6: Acquisition of the entire equity interest of Buyang Wheel by Buyang HK***

On December 24, 2018, Buyang HK acquired the 69%, 30% and 1% equity interest in Buyang Wheel held by Mr. Xu, Ms. Chen and Innovation Vision at the consideration of RMB72.45 million, RMB31.50 million and RMB1.05 million, respectively, which were determined based on the aforementioned valuation in step 5 prepared by an Independent Third-Party. The aforementioned transfers were completed on December 28, 2018.

In addition, to reflect the shareholding structure of Buyang Wheel prior to the aforementioned acquisition, 500 shares of our Company, representing 1% of the then issued share capital of our Company has been transferred by First Oriental to Innovation Vision at the consideration of US\$500 which is equivalent to the par value of such shares on January 14, 2019.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group immediately upon completion of step 6:



### ***Step 7: Acquisition of the 1% shares in our Company by First Oriental***

On January 22, 2020, as Ms. Tong Ming Yi, the sole beneficial owner of Innovation Vision, identified another investment opportunity and would like to dispose her interest in our Company, First Oriental acquired all the 500 shares of our Company, representing 1% of the then issued share capital of our Company, held by Innovation Vision at the consideration of US\$20,000, which was agreed between the parties on the basis of willing buyer and seller on an arm's length basis. Such consideration has taken into account the amount of RMB1.05 million received by Innovation Vision in step 6 and reflects the return of investment of Ms. Tong in our Company, taking into account of the length and amount of investment as well as her contribution in the Listing application process, in particular the facilitation of the Reorganization, with her experience and knowledge, and has been fully settled on February 11, 2020.

Immediately upon completion of the aforementioned acquisition, our Company became wholly-owned by First Oriental.

### ***Step 8: Subscription of shares of our Company and settlement of consideration for the acquisition of Buyang Wheel from Mr. Xu and Ms. Chen by Buyang HK***

On March 24, 2020, First Oriental agreed to subscribe for 100,000 shares of our Company with par value of US\$1.00 each, subject to the increase of our authorized share capital, at the consideration of US\$14,888,780.00 which has been fully settled on the same day. On March 25, 2020, Buyang HK fully settled

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

the consideration for the acquisition of Buyang Wheel from Mr. Xu and Ms. Chen of RMB103.95 million in aggregate while the consideration for the acquisition of Buyang Wheel from Innovation Vision has been fully settled earlier on April 11, 2019. Accordingly, upon completion of the aforementioned payment, all the consideration in respect of the acquisition of Buyang Wheel by Buyang HK has been fully settled.

### *Step 9: Allotment of shares to First Oriental and subdivision of Shares in our Company*

Pursuant to the written resolution passed by our then sole Shareholder on May 1, 2020, the authorized share capital of our Company was increased from US\$50,000 divided into 50,000 shares with par value of US\$1.00 each to US\$2,000,000 divided into 2,000,000 shares with par value of US\$1.00 each by the creation of an additional 1,950,000 shares with par value of US\$1.00 each. On the same day, the 100,000 shares of our Company with par value of US\$1.00 each which were agreed to be subscribed by First Oriental on March 24, 2020 were allotted and issued, credited as fully paid, to First Oriental.

In contemplation of the Global Offering, pursuant to the written resolution passed by our then sole Shareholder on May 1, 2020, each authorized issued and unissued share with par value of US\$1.00 in our Company was subsequently subdivided into 1,000 Shares with par value of US\$0.001 each, such that the authorized share capital of our Company has become US\$2,000,000 divided into 2,000,000,000 Shares with par value of US\$0.001 each and First Oriental held all the 150,000,000 Shares in issue.

### *Step 10: Loan capitalization*

On November 18, 2022, First Oriental subscribed for 2,000,000 Shares of our Company at the consideration of HK\$1,410,336.64 which was settled by setting off the amount due from our Company to First Oriental of HK\$1,410,336.64.

Immediately upon completion of the aforementioned subscription, First Oriental held all the 152,000,000 Shares in issue.

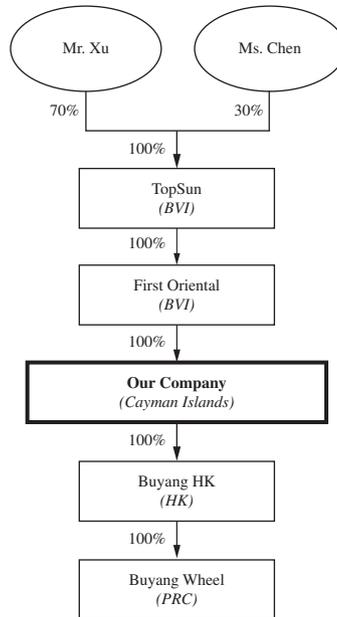
---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### Corporate Structure Immediately Upon Completion of the Reorganization

The following chart sets forth the shareholding and corporate structure of our Group immediately upon completion of the Reorganization up to immediately prior to the Global Offering:



### CAPITALIZATION ISSUE AND GLOBAL OFFERING

#### Capitalization Issue

Pursuant to the written resolution of our then sole Shareholder passed on November 18, 2022, conditional upon the fulfillment or waiver of the conditions set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of new Shares under the Global Offering, 598,000,000 Shares will be allotted and issued, credited as fully paid at par, to the Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on the date immediately prior to the Listing Date in proportion to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then issued Shares, by way of capitalization of US\$598,000 standing to the credit of the share premium account of our Company.

#### Global Offering

For more details of the Global Offering, please refer to “Structure and Conditions of the Global Offering” in this prospectus.

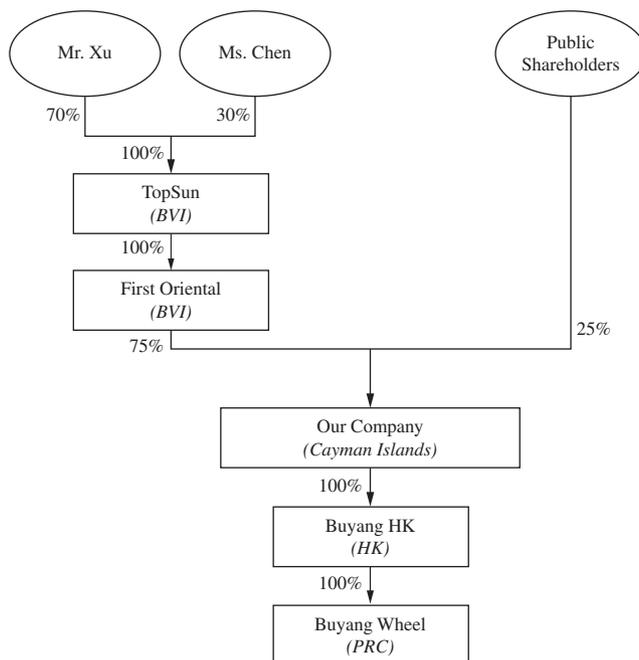
---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### Corporate Structure Immediately Upon Completion of the Capitalization Issue and the Global Offering

The following chart sets forth the shareholding and corporate structure of our Group immediately upon the completion of the Capitalization Issue and the Global Offering (but without taking into account any Share which may be issued and allotted upon the exercise of the Over-allotment Option):



### PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganization have been obtained, and the Reorganization complied with all the applicable laws and regulations of the PRC.

### The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

Pursuant to Article 11 of the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the China Securities Regulatory Commission, the SAT, the State Administration for Industry and Commerce and SAFE, and amended by MOFCOM, the acquisition of its/his/her related domestic company by a domestic company, corporation or natural person through an offshore company which it/he/she lawfully establishes or controls shall be subject to the approval of the MOFCOM.

As advised by our PRC Legal Advisors, Article 11 of the M&A Rules does not apply to the acquisition of Buyang Wheel by Buyang HK as Buyang Wheel was then owned as to 1% by Innovation Vision, a company incorporated in Hong Kong, and therefore then a foreign-invested enterprise in accordance with the *Interim Provisions in relation to Domestic Investment by Foreign-invested Enterprise* (《關於外商投資企業境內投資的暫行規定》) and the *Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) then in force.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

Accordingly, as advised by our PRC Legal Advisors, the acquisition of Buyang Wheel by Buyang HK is not required to obtain approval from the MOFCOM under the M&A Rules.

### **SAFE Registration in the PRC**

Pursuant to the *SAFE Circular Relating to Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE (“**Circular 37**”), a PRC resident, including legal person and natural person, is required to complete foreign exchange registration with local SAFE branch when such PRC domestic resident uses its/his/her assets or interest in the PRC or overseas to contribute to an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for investments and/or financing purposes.

Pursuant to the *Notice from the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE, the power to accept foreign exchange registration was delegated to qualified local banks.

As advised by our PRC Legal Advisors, each of Mr. Xu and Ms. Chen, our ultimate Shareholders who are PRC residents (within the definition of Circular 37), has completed such registration on March 5, 2019 in compliance with the aforementioned SAFE requirements.

---

## BUSINESS

---

### 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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### **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

---

## BUSINESS

---

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.

---

## BUSINESS

---

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.

## BUSINESS

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

### 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
<b>Total .....</b>	<b>1,218,512</b>	<b>100.0</b>	<b>1,045,212</b>	<b>100.0</b>	<b>1,139,868</b>	<b>100.0</b>	<b>454,604</b>	<b>100.0</b>	<b>340,200</b>	<b>100.0</b>

### *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

## BUSINESS

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			Five months ended	
	December 31,			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
<b>Average sales price of aluminum alloy automobile wheel .....</b>	<b>298</b>	<b>339</b>	<b>377</b>	<b>344</b>	<b>431</b>

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.

---

## BUSINESS

---

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

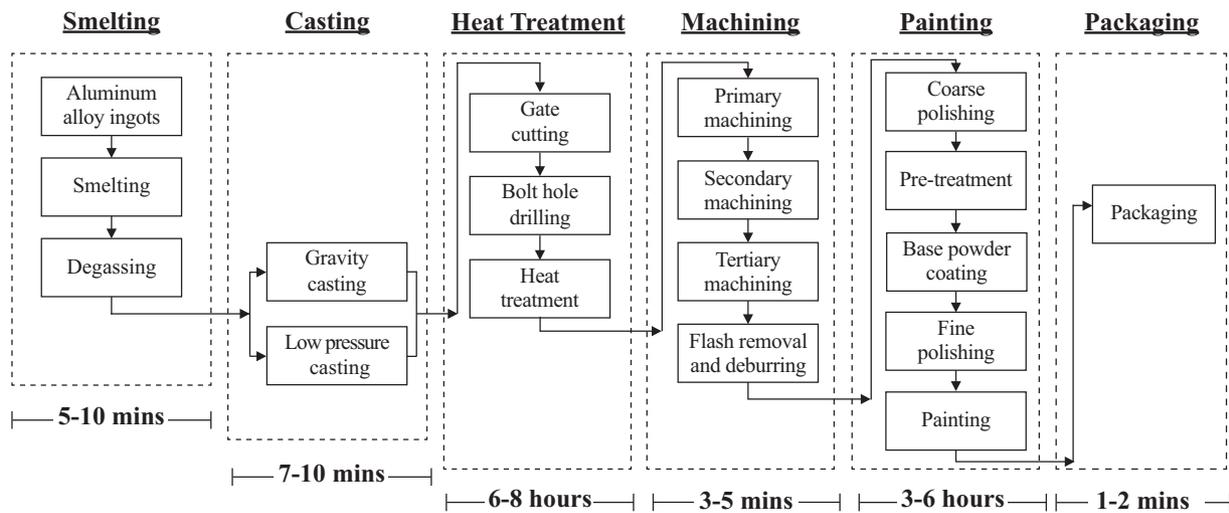
Our production can be broadly categorized into the following six main phases:

<b>Phase</b>	<b>Description</b>	<b>Main production equipment</b>	<b>Quality control</b>
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	<ul style="list-style-type: none"><li>• Molten alloy composition test</li><li>• Molten alloy density and temperature test</li></ul>
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	<ul style="list-style-type: none"><li>• Gravity casting machine</li><li>• Low pressure casting machine</li></ul>	<ul style="list-style-type: none"><li>• X-ray inspection</li><li>• Rough cases inspection</li><li>• Deformation inspection</li></ul>
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	<ul style="list-style-type: none"><li>• Hardness test</li><li>• Internal temperature test</li></ul>

## BUSINESS

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	<ul style="list-style-type: none"> <li>• Air tightness test</li> <li>• Dynamic balancing test</li> <li>• Run-out test</li> <li>• Dimension test</li> </ul>
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	<ul style="list-style-type: none"> <li>• Coating film test</li> <li>• General appearance test</li> <li>• Baking temperature test</li> <li>• Color difference test</li> </ul>
Packaging	Packaging finished products into cardboard cartons	Packaging machine	<ul style="list-style-type: none"> <li>• Packaging inspection</li> <li>• Final inspection</li> </ul>

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.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

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

<u>Name of the Equipment</u>	<u>Purpose and Features of the Equipment</u>	<u>Country/ region of Origin</u>	<u>Quantity (units)</u>	<u>Estimated Useful Life (Years)</u>	<u>Average Estimated Remaining Useful Life as of the Latest Practicable Date (Years)<sup>(Note)</sup></u>
<b>Smelting</b>					
Furnace	Melting aluminum alloy ingots into liquid form	PRC	9	10	5.3
<b>Casting</b>					
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
<b>Heat Treatment</b>					
Heat treatment furnace	Treating rough casts of aluminum alloy automobile wheels with controlled heat	PRC	2	10	0
<b>Machining</b>					
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
<b>Painting</b>					
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
<b>Packaging</b>					
Carton sealing machine	Sealing cartons containing the aluminum alloy automobile wheels	PRC, Taiwan	7	10	5.7

## BUSINESS

*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	Date
	(Unit)	(Unit)	(Unit)	(Unit)	(Unit)
<b>(1) Smelting</b>					
-Furnaces					
Beginning of year/period	6	7	8	9	9
Additions of new machinery/ equipment	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
End of year/period	<u><u>7</u></u>	<u><u>8</u></u>	<u><u>9</u></u>	<u><u>9</u></u>	<u><u>9</u></u>
<b>(2) Casting</b>					
-Gravity casting machines					
Beginning of year/period	29	31	31	31	31
Additions of new machinery/ equipment	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
End of year/period	<u><u>31</u></u>	<u><u>31</u></u>	<u><u>31</u></u>	<u><u>31</u></u>	<u><u>31</u></u>
-Low pressure casting machines					
Beginning of year/period	12	12	12	12	12
Additions of new machinery/ equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
End of year/period	<u><u>12</u></u>	<u><u>12</u></u>	<u><u>12</u></u>	<u><u>12</u></u>	<u><u>12</u></u>
<b>(3) Heat treatment</b>					
-Heat treatment furnaces					
Beginning of year/period	2	2	2	2	2
Additions of new machinery/ equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
End of year/period	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>
<b>(4) Machining</b>					
-CNC lathes					
Beginning of year/period	46	46	50	52	52
Additions of new machinery/ equipment	<u>0</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>0</u>
End of year/period	<u><u>46</u></u>	<u><u>50</u></u>	<u><u>52</u></u>	<u><u>52</u></u>	<u><u>52</u></u>
-Machining centers					
Beginning of year/period	19	19	21	22	22
Additions of new machinery/ equipment	<u>0</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>
End of year/period	<u><u>19</u></u>	<u><u>21</u></u>	<u><u>22</u></u>	<u><u>22</u></u>	<u><u>22</u></u>

## BUSINESS

	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)
<b>(5) Painting</b>					
-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 .....	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
-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 .....	<u>4</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>
-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 .....	<u>6</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>
<b>(6) Packaging</b>					
-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 .....	<u>5</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

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 disassembling 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.

## BUSINESS

### *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		
	2019	2020	2021	2022	Date	
<b>Aluminum alloy automobile wheels production<sup>(1)</sup></b>						
<b>Smelting</b>						
Designed production capacity (units) <sup>(2)</sup> . . . . .	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 (%) <sup>(3)</sup> . . . . .	66.9	57.9	63.6	58.8	66.1	
<b>Casting</b>						
Designed production capacity (units) <sup>(2)</sup> . . . . .	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 (%) <sup>(3)</sup> . . . . .	66.9	57.9	63.6	58.8	66.1	
<b>Heat treatment</b>						
Designed production capacity (units) <sup>(2)</sup> . . . . .	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 (%) <sup>(3)</sup> . . . . .	95.8	85.2	93.6	86.5	97.3	
<b>Machining</b>						
Designed production capacity (units) <sup>(2)</sup> . . . . .	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 (%) <sup>(3)</sup> . . . . .	68.8	61.1	60.8	56.2	63.1	
<b>Painting<sup>(4)</sup></b>						
Designed production capacity (units) <sup>(2)</sup> . . . . .	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 (%) <sup>(3)</sup> . . . . .	99.4	66.9	42.5	39.3	44.2	
<b>Overall utilization rate (%)<sup>(5)</sup> . . . . .</b>	<b>99.4</b>	<b>85.2</b>	<b>93.6</b>	<b>86.5</b>	<b>97.3</b>	

*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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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,

---

## BUSINESS

---

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) promulgated 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

---

## BUSINESS

---

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 be 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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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.

---

## BUSINESS

---

*(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

---

## BUSINESS

---

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:

<u>Name of equipment</u>	<u>Quantity</u> (units)	<u>Expected purchase cost</u> (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
<b>Total</b> .....		<b><u>49,460</u></b>

## BUSINESS

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	<ul style="list-style-type: none"> <li>Conduct construction work for the first phase of the New Manufacturing Facility</li> </ul>
From December 2023 to November 2024	<ul style="list-style-type: none"> <li>Commence production of the first phase of the New Manufacturing Facility</li> <li>Conduct construction work for the second phase of the manufacturing facility</li> </ul>
From December 2024	<ul style="list-style-type: none"> <li>Commence production of the whole New Manufacturing Facility</li> </ul>

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
<i>Projected cash inflow from sales</i> <sup>(Note 1)</sup> (RMB'000)	276,480	221,184	165,888	110,592
<i>Projected cash outflow related to sales</i> <sup>(Note 2)</sup> (RMB'000)	218,480	174,784	131,088	87,392
<b>Projected net cash inflow (RMB'000)</b>	<b>58,000</b>	<b>46,400</b>	<b>34,800</b>	<b>23,200</b>

## BUSINESS

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 <sup>(Note 1)</sup> (RMB'000)	414,720	331,776	248,832	165,888
Projected cash outflow related to sales <sup>(Note 2)</sup> (RMB'000)	327,720	262,176	196,632	131,088
<b>Projected net cash inflow (RMB'000)</b>	<b>87,000</b>	<b>69,600</b>	<b>52,200</b>	<b>34,800</b>

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:

<u>Utilization rate</u>	<u>Investment payback period</u>
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.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

### *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,

---

## BUSINESS

---

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.



---

## BUSINESS

---

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

---

## BUSINESS

---

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.

## BUSINESS

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	Percentage	Credit term	Payment method	Approximate	Country/ region
		derived from the customer	of our total revenue			years of business relationship as of the Latest Practicable Date	
		RMB'000	%			Years	
1.	Treasure One Company Co Ltd <sup>(1)</sup>	38,070	10.2	Payment after receiving bill of lading	Letter of credit	6	Japan
2.	UAB Group <sup>(2)</sup>	29,267	7.8	Payment upon delivery	Bank transfer	13	Lithuania
3.	BSA Group <sup>(3)</sup>	22,302	6.0	Payment upon delivery	Bank transfer	10	United States and United Kingdom
4.	Alkatec Automotive Srl <sup>(4)</sup>	16,769	4.5	90 days after bill of lading date	Bank transfer	8	Italy
5.	168406 Canada Inc <sup>(5)</sup>	16,271	4.4	Payment upon delivery	Bank transfer	8	Canada
<b>Total</b>		<b>122,679</b>	<b>32.9</b>				

### Year ended December 31, 2020

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

## BUSINESS

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 <sup>(2)</sup>	46,708	10.6	Payment upon delivery	Bank transfer	13	Lithuania
2.	BSA Group <sup>(3)</sup>	37,003	8.4	Payment upon delivery	Bank transfer	10	United States and United Kingdom
3.	168406 Canada Inc <sup>(5)</sup>	32,960	7.5	Payment upon delivery	Bank transfer	8	Canada
4.	Jinbeilun (Xiamen) Import and Export Co Ltd <sup>(7)</sup>	28,991	6.6	Payment after acceptance	Bank transfer	1	Fujian, PRC
5.	Siborui Group <sup>(6)</sup>	23,791	5.4	Payment upon delivery	Bank transfer	3	United States
<b>Total</b>		<b>169,453</b>	<b>38.5</b>				

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 <sup>(7)</sup>	15,348	10.2	Payment after acceptance	Bank transfer	1	Fujian, PRC
2.	UAB Group <sup>(2)</sup>	11,220	7.5	Payment upon delivery	Bank transfer	13	Lithuania
3.	BSA Group <sup>(3)</sup>	9,499	6.3	Payment upon delivery	Bank transfer	10	United States and United Kingdom
4.	168406 Canada Inc <sup>(5)</sup>	6,512	4.3	Payment upon delivery	Bank transfer	8	Canada
5.	Wheel Pros, LLC <sup>(8)</sup>	6,097	4.1	90 days after acceptance	Bank transfer	2	United States
<b>Total</b>		<b>48,676</b>	<b>32.4</b>				

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.

---

## BUSINESS

---

- (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, tires 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

---

## BUSINESS

---

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.

---

## BUSINESS

---

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.

---

## BUSINESS

---

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.

---

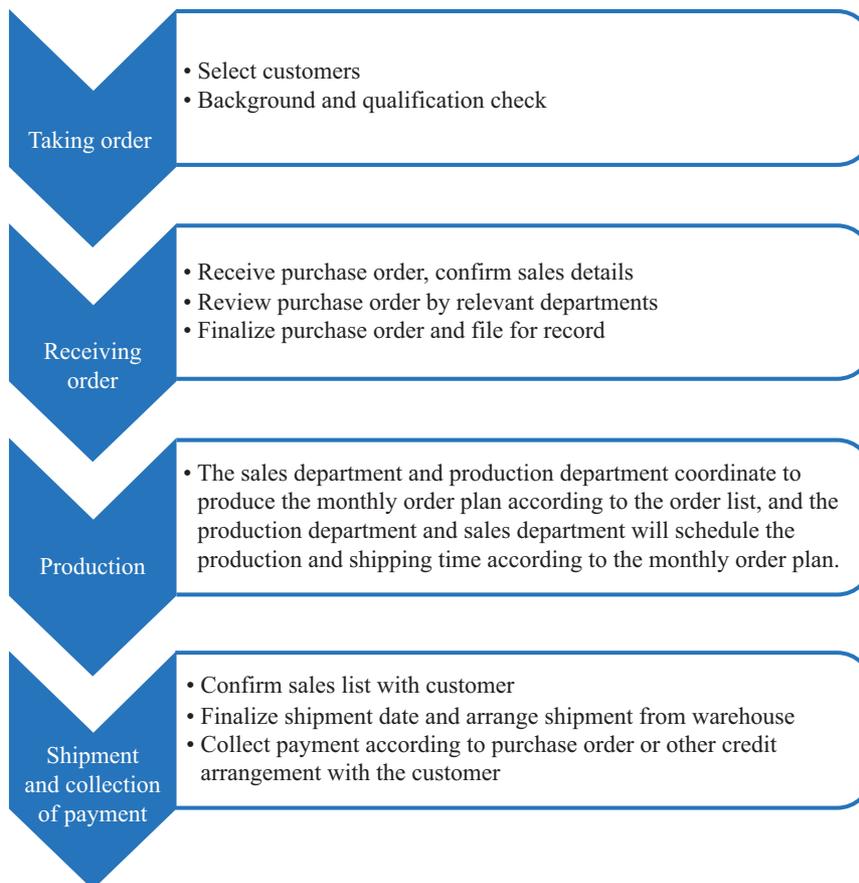
## BUSINESS

---

### 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.

## BUSINESS

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

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

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

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

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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.

---

## BUSINESS

---

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

## BUSINESS

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
<b>Total . . . . .</b>	<b>97,112</b>	<b>39,122</b>	<b>156,995</b>	<b>68,578</b>	<b>179,072</b>	<b>86,201</b>	<b>91,924</b>	<b>48,760</b>

---

## BUSINESS

---

### 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.

## BUSINESS

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		Revenue <sup>(1)</sup>	
		RMB'000	%	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 <sup>(2)</sup>	22.1	28,060 <sup>(3)</sup>	18.8
	<b>Total</b>	<b>69,847</b>	<b>100.0</b>	<b>149,504</b>	<b>100.0</b>

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		Revenue <sup>(1)</sup>	
		RMB'000	%	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 <sup>(2)</sup>	18.7	13,979 <sup>(3)</sup>	22.7
	<b>Total</b>	<b>40,870</b>	<b>100.0</b>	<b>61,576</b>	<b>100.0</b>

## BUSINESS

*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**

No.	Origin of payment made by Third-Party Payors	Amount of Third-Party Payments	
		RMB'000	%
1	Hong Kong	13,691	19.6
2	U.K. <sup>(1)</sup>	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 <sup>(2)</sup>	13,405	19.2
	<b>Total</b>	<b>69,847</b>	<b>100.0</b>

*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.

## BUSINESS

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

No.	Origin of payment made by Third-Party Payors	Amount of Third-Party Payments	
		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 <sup>(1)</sup>	5,811	14.2
	<b>Total</b>	<b>40,870</b>	<b>100.0</b>

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

## BUSINESS

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:

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
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
<b>Total</b> .....	<b>73</b>	<b>47</b>

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:

	<b>Year ended December 31,</b>					
	<b>2019</b>			<b>2020</b>		
	<b>Number of Relevant Customers</b>	<b>Third- Party Payment amount</b>	<b>Direct payment amount</b>	<b>Number of Relevant Customers</b>	<b>Third- Party Payment amount</b>	<b>Direct payment amount</b>
	<b>RMB'000</b>	<b>RMB'000</b>		<b>RMB'000</b>	<b>RMB'000</b>	
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
<b>Total</b> <i>(Note)</i> .....	<b>73</b>	<b>69,847</b>	<b>75,392</b>	<b>47</b>	<b>40,870</b>	<b>38,684</b>

*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

---

## BUSINESS

---

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.

## BUSINESS

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 RMB'000	Number of Relevant Customer <sup>(Note)</sup>	Amount of Third-Party Payments RMB'000	Number of Relevant Customer <sup>(Note)</sup>
Reason (i) .....	19,447	23	12,888	10
Reason (ii) .....	13,871	11	2,912	4
Reason (iii) .....	36,529	41	25,070	34
<b>Total</b> .....	<b>69,847</b>	<b>75</b>	<b>40,870</b>	<b>48</b>

*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:

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

*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

---

## BUSINESS

---

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:

<b>Reason for utilizing Third-Party Payment Arrangement</b>	<b>Summary of the payment arrangements after the cessation of the Third-Party Payment Arrangement</b>
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.

---

## BUSINESS

---

### *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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### 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)

---

## BUSINESS

---

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.

---

## BUSINESS

---

### 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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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 exists.

(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.

---

## BUSINESS

---

### *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

---

## BUSINESS

---

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.

---

## BUSINESS

---

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 taken 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

---

## BUSINESS

---

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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

### *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,

---

## BUSINESS

---

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.

## BUSINESS

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

Country/Region <sup>(1)</sup>	Year ended December 31,			
	2019		2020	
	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
<b>Total</b> .....	<b>4,648</b>	<b>650</b>	<b>328</b>	<b>54</b>

*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

---

## 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

---

## BUSINESS

---

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 manufacturers 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.

---

## BUSINESS

---

### *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)

---

## BUSINESS

---

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

---

## BUSINESS

---

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.

---

## BUSINESS

---

- 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.

---

## BUSINESS

---

### 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

## BUSINESS

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:

	<b>Six months ended June 30, 2021</b>	<b>Six months ended December 31, 2021</b>
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:

	<b>Five months ended May 31, 2021</b>	<b>Five months ended May 31, 2022</b>
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.

---

## BUSINESS

---

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.

## BUSINESS

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 <sup>(1)</sup>	113,122	46.9	Prepayment	Bank transfer	6	Aluminum alloy ingot	Shanghai, PRC
2.	Zhejiang Haiyue Technology Co Ltd <sup>(2)</sup>	29,994	12.4	Pay immediately after acceptance	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
3.	Buyang PRC <sup>(3)</sup>	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 <sup>(4)</sup>	7,753	3.2	Pay immediately after acceptance	Bank transfer	7	Aluminum alloy ingot	Xinjiang, PRC
5.	Guangde Jiabaoli Chemical Industry Co Ltd <sup>(5)</sup>	4,878	2.0	Payment after receiving invoice	Bank's acceptance	9	Automobile hub coating	Anhui, PRC
<b>Total</b>		<b>179,126</b>	<b>74.2</b>					

## BUSINESS

Year ended December 31, 2020

No.	Supplier	Amount of purchase (RMB'000)	Percentage of total purchase (%)	Credit term	Payment method	Approximate	Major material/ services purchased	Country/ region
						years of business relationship as of the Latest Practicable Date (Years)		
1.	Zhejiang Haiyue Technology Co Ltd <sup>(2)</sup>	97,258	39.7	Pay immediately after acceptance	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
2.	Shanghai Yuandu Investment Co Ltd <sup>(1)</sup>	61,702	25.2	Prepayment	Bank transfer	6	Aluminum alloy ingot	Shanghai, PRC
3.	Buyang PRC <sup>(3)</sup>	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 <sup>(6)</sup>	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 <sup>(5)</sup>	5,272	2.2	90 days after acceptance	Bank's acceptance	9	Automobile hub coating	Anhui, PRC
<b>Total</b>		<b>182,488</b>	<b>74.6</b>					

Year ended December 31, 2021

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

## BUSINESS

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 <sup>(2)</sup>	28,314	30.9	Prepayment	Bank transfer	4	Aluminum alloy ingot	Zhejiang, PRC
2.	Inner Mongolia Chaojin New Material Co Ltd <sup>(8)</sup>	22,133	24.1	Prepayment	Bank transfer	13	Aluminum alloy ingot	Inner Mongolia, PRC
3.	Yongkang Shuolei Trading Co Ltd <sup>(7)</sup>	18,726	20.4	Pay immediately after acceptance	Bank transfer	1	Aluminum alloy ingot	Zhejiang, PRC
4.	Yongkang Xinao Gas Company Limited <sup>(6)</sup>	3,767	4.1	Pay at the end of each month	Bank transfer	2	Natural gas	Zhejiang, PRC
5.	Buyang PRC <sup>(3)</sup>	2,882	3.1	Pay at the end of the year	Bank transfer	15	Electricity	Zhejiang, PRC
<b>Total</b>		<b><u>75,822</u></b>	<b><u>82.6</u></b>					

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.

---

## BUSINESS

---

(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

---

## BUSINESS

---

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.

---

## BUSINESS

---

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

---

## BUSINESS

---

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

---

## BUSINESS

---

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:

<u>Name of the equipment</u>	<u>Expected purpose and features of the equipment</u>	<u>Country/ Region of origin</u>	<u>Unit</u>
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;

---

## BUSINESS

---

- 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

---

## BUSINESS

---

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  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.

---

## BUSINESS

---

### 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:

<u>Awards/Certificates</u>	<u>Awarded by</u>	<u>Year</u>
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.

---

## BUSINESS

---

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:

<b>Functions</b>	<b>Number of employees</b>	
	<b>as of the Latest</b>	
	<b>Practicable Date</b>	<b>% of total</b>
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
<b>Total</b> .....	<b>558</b>	<b>100.0</b>

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

---

## BUSINESS

---

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;

---

## BUSINESS

---

- 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,

---

## 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'

---

## BUSINESS

---

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.

## BUSINESS

### *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
	2019	2020	2021	May 31,
	(tons)	(tons)	(tons)	2022
Sulfur dioxide .....	0.10352 <i>(Note 1)</i>	0.10532	0.30245	0.02862
Nitrogen oxides .....	3.93676 <i>(Note 1)</i>	4.00511	3.10820	0.62011
Volatile organic compounds .....	<i>(Note 2)</i>	<i>(Note 2)</i>	0.66462	0.16945 <i>(Note 3)</i>
Particulate matter <i>(Note 4)</i> .....	0.31673 <i>(Note 1)</i>	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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

### 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:

<u>Certificate/License/Permit</u>	<u>Issuing / Registration authority</u>	<u>Holder</u>	<u>Date of first issue</u>	<u>Date of latest issue</u>	<u>Duration/ Expiration date</u>
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 <sup>(Note 1)</sup>
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	— <sup>(Note 2)</sup>

## BUSINESS

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 <sup>(Note 3)</sup>

*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.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

### *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,

---

## BUSINESS

---

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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

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.

---

## FINANCIAL INFORMATION

---

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

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

### OVERVIEW

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

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### Government Policies and Trade Restrictions in Overseas Jurisdictions

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

The United States is our largest overseas single-country market during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue

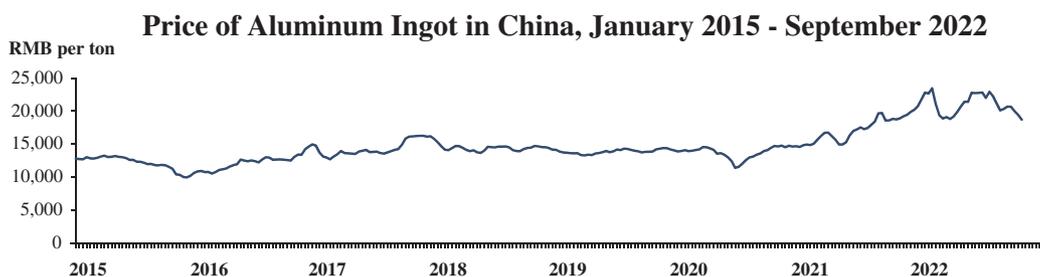
## FINANCIAL INFORMATION

generated from the sales to the United States market were RMB39.1 million, RMB68.6 million, RMB86.2 million and RMB26.3 million, respectively, representing approximately 10.5%, 18.9%, 19.6% and 17.6% of our total revenue of the same periods, respectively. Following the start of the Sino-U.S. trade frictions in 2018, our sales to the United States were negatively affected. In response, we undertook certain mitigation measures. For more details, please refer to “Business — Sales and Distribution— Sales to the United States and impact of the China-United States trade frictions” in this prospectus.

### The Cost of Raw Materials and Consumables Used

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

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



*Source: The National Bureau of Statistics*

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

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

*Source: The National Bureau of Statistics*

The average monthly price of aluminum ingot in the PRC fluctuated significantly. In 2015, the market price of aluminum ingot dropped sharply primarily due to the oversupply of aluminum ingot after years of rapid development in the market. The oversupply of aluminum ingot was primarily due to the Chinese government’s policy to increase the production capacity of aluminum ingot to achieve the goal of self-sufficiency by providing subsidies and tax cuts to support the development of the aluminum market. However, while China has

---

## FINANCIAL INFORMATION

---

remained self-sufficient for aluminum which helped facilitate the economic transformation, the Chinese government rolled out a supply-side reform in early 2016 with the aim of eliminating excess capacity of aluminum ingot. With gradual decline in the supply-side capacity, the price of aluminum ingot has recovered continuously and reached a peak at RMB16,255 per ton on October 10, 2017, but followed by a downward trend afterwards until the second quarter of 2020. The dramatic decline of aluminum ingot price in the first quarter of 2020 was mainly triggered by the unexpected outbreak of COVID-19 which reduced demand significantly.

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

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

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

---

## FINANCIAL INFORMATION

---

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

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

### **Expansion of Our Sales in Overseas Market**

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

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

### **Development of the Automobile Industry**

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

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

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

### **Foreign Currency Exchange Rates**

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

---

## FINANCIAL INFORMATION

---

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

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

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

## FINANCIAL INFORMATION

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

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

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

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

### CRITICAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGMENT

We have identified certain accounting policies and estimates significant to the preparation of the consolidated financial information in accordance with HKFRSs. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies in Note 2, which are important for an understanding of our financial condition and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items, which are discussed in Note 3 of the Accountants' Report in Appendix I to this prospectus. Our estimates are

---

## FINANCIAL INFORMATION

---

based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgments are most critical to the preparation of our financial information.

### **Revenue recognition**

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

### **Impairment of trade receivables**

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

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

### **Impairment of property, plant and equipment**

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

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

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

### **Inventories**

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

---

## FINANCIAL INFORMATION

---

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

### **Trade and other receivables**

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

### **Property, plant and equipment**

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

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

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

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

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

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

## FINANCIAL INFORMATION

### Income tax

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

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

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

### SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

### Non-HKFRS measures

We recognized listing expenses during the Track Record Period and therefore we also present the adjusted profit for the year/period, which is a non-HKFRS measure, to supplement our consolidated financial

## FINANCIAL INFORMATION

information which are presented in accordance with HKFRS. We define “adjusted profit for the year/period” (non-HKFRS measure) as profit for the year/period adjusted by adding back Listing expenses. The adjustment has been consistently made during the Track Record Period, which complies with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange.

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

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

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

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

#### Revenue

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

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

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

## FINANCIAL INFORMATION

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

### *Sales of aluminum alloy automobile wheel by size*

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

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

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

## FINANCIAL INFORMATION

### *Sales by geographic market*

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

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

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

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

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

---

## FINANCIAL INFORMATION

---

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

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

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

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

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

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

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

---

## FINANCIAL INFORMATION

---

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

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

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

## FINANCIAL INFORMATION

### *Sales volume of aluminum alloy automobile wheel*

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

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

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

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

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

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

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

---

## FINANCIAL INFORMATION

---

### *Average sales price of aluminum alloy automobile wheel*

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

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

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

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

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

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

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

## FINANCIAL INFORMATION

### Cost of Sales

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

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

### Cost of sales by nature

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

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

Note:

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

## FINANCIAL INFORMATION

### *Cost of raw materials and consumables used*

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

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

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

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

## FINANCIAL INFORMATION

the cost of aluminum alloy used per unit sold and staff costs per unit sold incurred during the Track Record Period, respectively.

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

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

### *Cost of sales by product type*

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

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

### *Cost of sales of aluminum alloy automobile wheel by product size*

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

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

---

## FINANCIAL INFORMATION

---

### Gross profit and gross profit margin

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

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

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

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

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

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

## FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

## FINANCIAL INFORMATION

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

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

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

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

Note:

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

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

## FINANCIAL INFORMATION

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

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

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

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

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

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

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

---

## FINANCIAL INFORMATION

---

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

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

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

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

### **Other revenue**

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

## FINANCIAL INFORMATION

### Other net gain/(loss)

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

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

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

- Net exchange gain/(loss), which were primarily attributable to translation of (i) our trade and other receivables, trade and other payables and cash at bank denominated in U.S. dollar into RMB; (ii) our cash at bank denominated in Swiss franc into RMB; and (iii) the payable for deemed distribution arising from Reorganization in Buyang HK denominated in RMB into HKD as the functional currency of Buyang HK is HKD.
- Net realized and unrealized gain on derivative financial instruments, which were primarily resulted from gain or loss derived from foreign exchange options, aluminum futures and other derivatives. During the Track Record Period, we purchased certain derivative financial instruments including foreign exchange options, aluminum futures and other derivatives primarily for investment purposes. As at the Latest Practicable Date, we did not own any derivative financial instruments since July 2020. Our Directors confirm that we do not intend to engage in any investment activities through purchases of derivative financial instruments in the future.

## FINANCIAL INFORMATION

### Selling and distribution expenses

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

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

Note:

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

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

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

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

## FINANCIAL INFORMATION

### Administrative and other operating expenses

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

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

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

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

### Net finance (costs)/income

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

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

During the Track Record Period, our finance income was primarily interest income on bank deposits. Our finance costs mainly included interest expenses of bank loans and interest expenses in relation to lease liabilities

## FINANCIAL INFORMATION

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

### Income tax

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

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

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

#### Notes:

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

## FINANCIAL INFORMATION

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

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

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

### Profit for the year/period

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

## RESULTS OF OPERATIONS

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

#### *Revenue*

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

#### *Cost of Sales*

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

#### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 1.6% from RMB27.1 million in the five months ended May 31, 2021 to RMB27.5 million in the five months ended May 31, 2022. Our gross profit margin increased from 17.0% for the

---

## FINANCIAL INFORMATION

---

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

### ***Other Revenue***

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

### ***Other Net (Loss)/Gain***

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

### ***Selling and Distribution Expenses***

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

### ***Administrative and Other Operating Expenses***

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

### ***Net Finance Income/(Costs)***

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

### ***Income Tax***

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

---

## FINANCIAL INFORMATION

---

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

### *Profit for the Period*

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

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

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

#### *Revenue*

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

#### *Cost of Sales*

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

#### *Gross Profit and Gross Profit Margin*

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

---

## FINANCIAL INFORMATION

---

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

### ***Other Revenue***

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

### ***Other Net Loss***

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

### ***Selling and Distribution Expenses***

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

### ***Administrative and Other Operating Expenses***

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

### ***Net Finance Income***

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

### ***Income Tax***

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

### ***Profit for the Year***

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

---

## FINANCIAL INFORMATION

---

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

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

#### ***Revenue***

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

#### ***Cost of Sales***

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

#### ***Gross Profit and Gross Profit Margin***

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

#### ***Other Revenue***

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

#### ***Other Net Gain/(Loss)***

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

#### ***Selling and Distribution Expenses***

Our selling and distribution expenses decreased by 13.7% from RMB9.6 million in 2019 to RMB8.3 million in 2020. The decrease in our selling and distribution expenses was primarily because of (i) a decrease in

---

## FINANCIAL INFORMATION

---

the exhibition and advertisement fee from RMB0.6 million in 2019 to RMB0.2 million in 2020 as the number of exhibitions participated by us during 2020 decreased; and (ii) a decrease in travel expenses due to the COVID-19 pandemic in 2020.

### *Administrative and Other Operating Expenses*

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

### *Net Finance (Costs)/Income*

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

### *Income Tax*

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

### *Profit for the Year*

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

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

## LIQUIDITY AND CAPITAL RESOURCES

### **Overview**

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

## FINANCIAL INFORMATION

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

### Cash Flows

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

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

### *Net Cash Generated from Operating Activities*

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

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

In 2021, we generated net cash from operating activities of RMB26.2 million, which was primarily attributable to profit before taxation of RMB50.3 million, as adjusted for (i) non-cash or non-operating items,

---

## FINANCIAL INFORMATION

---

which primarily comprised depreciation of property, plant and equipment of RMB16.2 million, interest income of RMB2.1 million and finance costs of RMB1.6 million; (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB11.4 million, an increase in inventories of RMB10.7 million, an increase in pledged deposits of RMB3.5 million and a decrease in contract liabilities of RMB3.0 million; and (iii) payment of PRC corporate income tax of RMB11.6 million.

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

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

### *Net Cash Used in Investing Activities*

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

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

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

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

---

## FINANCIAL INFORMATION

---

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

### *Net Cash (Used in)/Generated from Financing Activities*

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

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

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

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

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

### **CAPITAL EXPENDITURES**

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

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

## FINANCIAL INFORMATION

### CAPITAL COMMITMENTS

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

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

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

### WORKING CAPITAL

#### Net Current (Liabilities)/Assets

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

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

---

## FINANCIAL INFORMATION

---

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

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

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

### WORKING CAPITAL SUFFICIENCY STATEMENT

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

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

## FINANCIAL INFORMATION

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

#### Inventories

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

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

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

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

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

## FINANCIAL INFORMATION

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

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Inventory turnover days <sup>(1)</sup> . . . . .	84.6	83.0	73.0	90.1

*Note:*

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

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

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

### Trade and Other Receivables

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

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

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

## FINANCIAL INFORMATION

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

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

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

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

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

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

## FINANCIAL INFORMATION

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

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

*Note:*

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

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

### Pledged Deposits

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

## FINANCIAL INFORMATION

### Trade and Other Payables

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

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

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

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

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

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

---

## FINANCIAL INFORMATION

---

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

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

*Note:*

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

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

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

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

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

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

## FINANCIAL INFORMATION

### Contract Liabilities

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

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

### Financial Liabilities at Fair Value through Profit or Loss

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

### RELATED PARTY TRANSACTION

#### Significant related party transactions

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

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

Note:

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

## FINANCIAL INFORMATION

### *Sales of goods*

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

### *Advances from related parties and repayment*

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

### *Fuel expenses and utilities paid/payable to*

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

### *Interest expense on lease liabilities*

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

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

## INDEBTEDNESS

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

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

During the Track Record Period, we obtained bank loans and advances from related parties, including Buyang Group and our key management personnel mainly to supplement our working capital and finance our

---

## FINANCIAL INFORMATION

---

expenditure. We also had lease liabilities due to Buyang Group during the same time periods. Our bank loans, advances from related parties (if any) and lease liabilities as of December 31, 2019, 2020 and 2021, May 31, 2022 and September 30, 2022 were all denominated in either Renminbi or HKD.

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

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

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

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

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

### **Contingent Liabilities**

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

### **QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISK**

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

#### **Credit Risk**

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

---

## FINANCIAL INFORMATION

---

### *Trade receivables*

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

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

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

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

### **Liquidity Risk**

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

### **Interest Rate Risk**

The Group's interest-bearing financial instruments at variable rates are the cash at bank as at each of the year end of the Track Record Period. The cash flow interest risk arising from the change of market interest rate

---

## FINANCIAL INFORMATION

---

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

### Currency Risk

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

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

### DISTRIBUTABLE RESERVES

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

### DIVIDEND POLICY

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

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

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

### LISTING EXPENSES

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

---

## FINANCIAL INFORMATION

---

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

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

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

## FINANCIAL INFORMATION

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

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

*Notes:*

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2022 is based on the total equity attributable to equity shareholders of the Company of RMB230,770,000 less intangible assets of RMB221,000 as of May 31, 2022, which is extracted from the Accountants' Report as set out in Appendix I to the Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 250,000,000 Shares to be issued at the estimated offer prices of HK\$0.50 per Share (being the low-end price) and HK\$0.60 per Share (being the high-end price), after deduction of the estimated underwriting fees and other estimated related expenses paid and payable by us of approximately RMB3.6 million and RMB10.9 million, respectively (excluding approximately RMB26.9 million expenses which have been charged to profit or loss up to May 31, 2022), assuming the Over-allotment Option is not exercised.
- (3) For illustrative purpose, the estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Hong Kong dollar into Renminbi at the exchange rate of HK\$1.00 to RMB0.8722. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any rates or at all.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares are in issue immediately following the completion of the loan capitalization as mentioned in note 31(a) included in the Accountant's Report set out in Appendix I to this prospectus, Capitalization Issue and the Global Offering as at May 31, 2022, but do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.
- (5) No adjustment has been made to the unaudited pro forma statement of adjusted net tangible assets to reflect any trading results or other transactions entered into subsequent to May 31, 2022.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

---

## FINANCIAL INFORMATION

---

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

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

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

#### *Recent regional outbreaks of COVID-19 in the PRC*

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

---

## FINANCIAL INFORMATION

---

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

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

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

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

---

## FINANCIAL INFORMATION

---

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

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The table below sets forth certain details of our Directors:

Name	Age	Present Position	Date of Appointment as Director	Date of Joining our Group	Roles and Responsibilities	Relationship with Other Directors and Senior Management
Mr. Xu Buyun (徐步雲先生)	59	Chairman and non-executive Director	November 14, 2018	September 3, 2007	Formulating the production and investment plans of the Group, overseeing the organizational structure and management policies of the Group and leading the major decision making and strategic development planning processes of the Group	Father of Ms. Xu
Ms. Xu Jingjun (徐璟琿女士)	33	Deputy chairlady and executive Director	September 25, 2020	February 12, 2011 <sup>1</sup>	Overseeing the human resources function of the Group, representing the Group in external affairs, participating in major decision making and strategic development planning processes of the Group and implementing decisions of the Board	Daughter of Mr. Xu
Mr. Ying Yonghui (應永暉先生)	46	Chief executive officer, general manager and executive Director	September 25, 2020	October 1, 2007	Overseeing the daily management of the Group, participating in major decision making and strategic development planning processes of the Group and implementing decisions of the Board	Nil
Ms. Hu Huijuan (胡惠娟女士)	36	Executive Director and international sales manager of Buyang Wheel	September 25, 2020	February 26, 2010	Overseeing the international sales of the Group and participating in major decision making and strategic development planning processes of the Group	Nil

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Date of Appointment as Director</u>	<u>Date of Joining our Group</u>	<u>Roles and Responsibilities</u>	<u>Relationship with Other Directors and Senior Management</u>
Mr. Zhu Ning (朱寧先生)	41	Non-executive Director	September 25, 2020	December 20, 2015	Participating in major decision making and strategic development planning processes of the Group	Nil
Mr. Fu Yi (傅夷先生)	45	Independent non-executive Director	October 28, 2020	October 28, 2020	Providing independent judgment to our Board	Nil
Mr. Yeung Man Simon (楊敏先生)	50	Independent non-executive Director	October 28, 2020	October 28, 2020	Providing independent judgment to our Board	Nil
Mr. Chen Jingeng (陳晉慶先生)	45	Independent non-executive Director	October 28, 2020	October 28, 2020	Providing independent judgment to our Board	Nil

The following table sets forth certain information of our senior management members:

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Date of Appointment as Senior Management</u>	<u>Date of Joining our Group</u>	<u>Roles and Responsibilities</u>	<u>Relationship with Other Directors and Senior Management</u>
Mr. Xu Yongsheng (徐永生先生)	39	Deputy general manager cum domestic sales manager of Buyang Wheel	May 2014	February 11, 2011	Overseeing the domestic sales of the Group	Nil
Mr. Huang Wei (黃偉先生)	36	Deputy general manager cum head of technical department of Buyang Wheel	March 2014	February 19, 2008	Overseeing the production, technical aspects and product development of the Group	Nil
Ms. Hu Meijuan (胡美娟女士)	53	Financial controller	August 6, 2008	February 18, 2008	Financial strategic planning, financial and fund management and internal control matters	Nil

*Note:*

- Ms. Xu first joined our Group in February 2011 and departed in September 2013. Ms. Xu subsequently re-joined our Group in December 2015.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### DIRECTORS

#### Executive Directors

**Ms. Xu Jingjun** (徐璟珺女士), aged 33, was appointed as our executive Director on September 25, 2020. Ms. Xu initially joined our Group in February 2011 and subsequently rejoined in December 2015. Ms. Xu is also the deputy chairlady of our Board. Ms. Xu is primarily responsible for overseeing the human resources function of the Group, representing the Group in external affairs, participating in major decision making and strategic development planning processes of the Group and implementing decisions of the Board.

From September 2009 to February 2011, Ms. Xu was the manager of the export trade department of Buyang PRC. From February 2011 to September 2013, Ms. Xu was the general manager of Buyang Wheel, our wholly-owned subsidiary, responsible for overseeing the operation and management of Buyang Wheel. From January 2013 to January 2017 and from July 2013 to January 2017, Ms. Xu was the chairlady of Shandong Buyang Door Co., Ltd.\* (山東步陽門業有限公司) and Sichuan Buyang Door Co., Ltd.\* (四川步陽門業有限公司), respectively, both a member of Buyang Group. In December 2015, Ms. Xu re-joined our Group and was appointed as a director of Buyang Wheel. Since January 2017, Ms. Xu has also been appointed as the general manager of Buyang PRC.

Ms. Xu completed grade eleventh high school education in the PRC in July 2005 and the Zhongjiao Professional Talent Training Class\* (中教高技能人才培養班), with accounting specialization, organized by the Continuing Education College of Xingzhi College Zhejiang Normal University (浙江師範大學行知學院繼續教育學院) in June 2019. Ms. Xu is also a vice president of the China Construction Metal Structure Association (中國建築金屬結構協會).

Ms. Xu is the daughter of Mr. Xu, the chairman of our Board and our non-executive Director.

**Mr. Ying Yonghui** (應永暉先生), aged 46, was appointed as our executive Director on September 25, 2020. Mr. Ying joined our Group in October 2007 and is currently our chief executive officer and general manager. Mr. Ying is primarily responsible for overseeing the daily management of the Group, participating in major decision making and strategic development planning processes of the Group and implementing decisions of the Board.

Prior to joining our Group, Mr. Ying held various positions in the Buyang Group, including as a sales manager of the door manufacturing business between October 2002 and October 2004, the marketing director of the garage door manufacturing business between October 2004 and October 2005, the procurement manager of the scooter business between October 2005 and October 2006 and the deputy general manager (responsible for sales) of the automobile wheels and parts manufacturing business between October 2006 and June 2007. Subsequently, Mr. Ying joined Buyang Wheel in October 2007 as deputy general manager (responsible for sales) and has been promoted as the general manager and appointed as a director of Buyang Wheel in September 2013.

Mr. Ying graduated from Communist Party of China Yongkang Municipal Committee Party School\* (中國共產黨永康市委黨校) with rural economic management specialization in July 2002.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

**Ms. Hu Huijuan** (胡惠娟女士), aged 36, was appointed as our executive Director on September 25, 2020. Ms. Hu joined our Group in February 2010 and is currently also the international sales manager of Buyang Wheel. Ms. Hu is primarily responsible for overseeing the international sales of the Group and participating in major decision making and strategic development planning processes of the Group.

Prior to joining our Group, Ms. Hu worked in Maxim Label and Packaging Shanghai Co., Ltd. (上海美聲服飾輔料有限公司), a company principally engaged in clothing accessories manufacturing and sales, as sales assistant between August 2007 and May 2009. Ms. Hu joined Buyang Wheel in February 2010 and has been the international sales manager of Buyang Wheel since then. Ms. Hu has also been appointed as a director of Buyang Wheel on December 20, 2015.

Ms. Hu graduated from Zhejiang Forestry College\* (浙江林學院) (currently known as Zhejiang A&F University) with a bachelor's degree in business administration (Sino-Australian cooperation) in June 2007.

### Non-executive Directors

**Mr. Xu Buyun** (徐步雲先生), aged 59, was appointed as our Director on November 14, 2018 and was redesignated as our non-executive Director on September 25, 2020. Mr. Xu is the co-founder of our Group and also the chairman of our Board and one of our Controlling Shareholders. Mr. Xu is primarily responsible for formulating the production and investment plans of the Group, overseeing the organizational structure and management policies of the Group and leading the major decision making and strategic development planning processes of the Group.

Mr. Xu has more than 20 years of experience in the manufacturing industry. Prior to establishing our Group, Mr. Xu worked as a worker in an automobile service factory, between September 1981 and June 1992 and as the factory director of Yongkang City In-town Foundry\* (永康市城中鑄造廠), responsible for overseeing its production, operation and management, between November 1992 and January 1996. In November 1995, Mr. Xu established Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.\* (浙江省永康市鏡王光學儀器製造有限公司), a company principally engaged in manufacturing and sales of optical instrument, with his brother-in-law and acted as its general manager, responsible for overseeing its production, operation and management, between February 1996 and June 1998.

In June 1998 and July 1998, Mr. Xu established Buyang PRC (then known as Yongkang City Buyun Door Co., Ltd.\* (永康市步雲門業有限公司)) with his brother-in-law and Shanghai Buyang Security Door Co., Ltd.\* (上海步陽防撬門有限公司) as its sole shareholder, respectively, to engage in safety door sales. Mr. Xu was appointed as the chairman of Buyang PRC in February 2001 and subsequently held various managerial roles in the Buyang Group (i.e. Buyang PRC and its subsidiaries). For more details of the Buyang Group, please refer to “Relationship with our Controlling Shareholders — Other Business Interests of Our Controlling Shareholders” in this prospectus.

In addition, Mr. Xu was the responsible officer of Yongkang City Buyun Door Co., Ltd. Distribution Center\* (永康市步雲門業有限公司配貨中心) (“**Buyun Door Distribution**”), a sole proprietorship enterprise established in the PRC. The business license of Buyun Door Distribution has been revoked due to failure to complete the annual corporate filings with the relevant authority and its business registration has been struck off on September 25, 2001 due to revocation of business license. Mr. Xu has confirmed that there was no wrongful

---

## DIRECTORS AND SENIOR MANAGEMENT

---

act on his part leading to the revocation of business license and the struck off and he is not aware of any actual or potential claim which had been or will be made against him as a result of the revocation of business license or the struck off.

Mr. Xu obtained senior economist qualification specialized in corporate management awarded by Jinhua City Human Resources Bureau\* (金華市人事局) in November 2000 and graduated from Zhejiang College of Finance and Economics\* (浙江財經學院) (currently known as Zhejiang University of Finance and Economics) specialized in business administration through completing higher education self-taught examination in June 2003.

Mr. Xu is a member of the 13<sup>th</sup> People's Congress of Zhejiang Province, a member of the seventh People's Congress of Jinhua City and a member of the standing committee of the 17<sup>th</sup> People's Congress of Yongkang City. Mr. Xu was also a vice president of the China Construction Metal Structure Association (中國建築金屬結構協會) from November 2012 to December 2019, and is currently the president of Zhejiang Province Construction and Door Industry Association\* (浙江省建築門業協會) and currently the president of Yongkang City Door Industry Association\* (永康市門業協會).

Mr. Xu is the father of Ms. Xu, the deputy chairlady of our Board and our executive Director.

**Mr. Zhu Ning** (朱寧先生), aged 41, was appointed as our non-executive Director on September 25, 2020. Mr. Zhu joined our Group in December 2015. Mr. Zhu is primarily responsible for participating in major decision making and strategic development planning processes of the Group.

Prior to joining our Group, Mr. Zhu worked in Zhejiang Suofu Industry and Trade Co., Ltd.\* (浙江索福工貿有限公司), a safety door manufacturer, between September 2003 and December 2006 as assistant to deputy general manager. Since September 2007, Mr. Zhu has held various positions in the Buyang Group, including the business manager of the interior door manufacturing business between September 2007 and February 2009, the manager of the administration department of the property development business between February 2009 and December 2011 and has been the deputy general manager and director of administration department of Buyang PRC since January 2012. Mr. Zhu has further been appointed as the director of administrative and legal department of Buyang Wheel in January 2020 and was a supervisor of Buyang Wheel between December 2015 and March 2020.

In addition, Mr. Zhu was the legal representative, director, shareholder and manager of Yongkang City Lekesi Electronics Co., Ltd.\* (永康市勒克斯電子有限公司), a company incorporated in the PRC with limited liability, whose business license has been revoked on June 21, 2018 due to suspension of business for a continuous period of more than six months and has been deregistered. As investigated and confirmed by the Yongkang City Administration for Market Regulation\* (永康市市場監督管理局), the revocation resulted from the oversight of the staff of Yongkang City Lekesi Electronics Co., Ltd.\* in attending the deregistration process in a timely manner and Mr. Zhu shall not be personally liable to the revocation and there does not exist any circumstance that render Mr. Zhu not suitable to be a director, supervisor or senior management under the *Company Law of the People's Republic of China* (《中華人民共和國公司法》).

Mr. Zhu graduated from the Southwest University of Political Science & Law with a law degree in December 2005 through completing higher education self-taught examination.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### Independent Non-executive Directors

**Mr. Fu Yi** (傅夷先生), aged 45, was appointed as our independent non-executive Director on October 28, 2020. Mr. Fu is primarily responsible for providing independent judgment to our Board.

From July 1999 to November 2011, Mr. Fu worked as a financial reporter and executive editor in Metro Express Newspaper Agency\* (都市快報社) and subsequently joined Lanson Investment Co., Ltd.\* (藍山投資有限公司), a venture capital institution, as assistant president in November 2011. In June 2013, Mr. Fu joined Zhejiang Xinhua Commodities Trading Center Co., Ltd.\* (浙江新華大宗商品交易中心有限公司), a company principally engaged in operation of commodity trading platform, as its deputy executive general manager until March 2015 when Mr. Fu joined Zhejiang Yingyang Asset Management Co., Ltd.\* (浙江盈陽資產管理股份有限公司), a private equity firm, and is currently its general manager and director. In addition, Mr. Fu had been a director of Hangzhou Shinian Investment Management Co., Ltd.\* (杭州拾年投資管理有限公司), a private equity firm, between July 2013 and March 2015 and has been a partner and shareholder of Zhejiang Blue Shell Capital Management Co., Ltd.\* (浙江藍貝殼資本管理有限公司) since August 2015 and September 2015, respectively.

Mr. Fu was appointed as a researcher cum executive deputy director of the Financial Security Research Center\* (金融安全研究中心) of the International Institute of Finance of The University of Science and Technology of China in April 2020, a guest professor of the Economics and Management School of Hangzhou Normal University in March 2019, a part-time professor of School of Trading Management\* (經貿管理學院) of Zhejiang University of Technology in November 2016 (currently a part-time professor of the School of Management) and a tutor of Zhejiang University of Finance & Economics in October 2017.

Mr. Fu graduated from Zhejiang Financial College\* (浙江財經學院) (currently known as Zhejiang University of Finance & Economics), specialized in investment economy in July 1999 and obtained a master's degree in finance from Zhejiang University in June 2009.

**Mr. Yeung Man Simon** (楊敏先生), aged 50, was appointed as our independent non-executive Director on October 28, 2020. Mr. Yeung is primarily responsible for providing independent judgment to our Board.

Mr. Yeung has more than 24 years of experience in corporate finance and financial management and control. From August 1997 to November 2001, Mr. Yeung worked in PricewaterhouseCoopers Ltd., an audit firm, with his last position as senior associate. From June 2002 to February 2003, Mr. Yeung worked in M.POS Limited, a company principally engaged in sales and development of point of sales systems, as its financial controller. From August 2003 to October 2004, Mr. Yeung worked in Belmont Corporate Services Ltd. as its audit manager.

In November 2004, Mr. Yeung joined Vitop Bioenergy Holdings Limited (currently known as Huiyin Holdings Group Limited), a company then principally engaged in manufacturing and sales of health products in the PRC, initially as finance manager and later promoted as its financial controller in September 2006 and appointed as its company secretary between September 2006 and September 2007. In the meantime, between July 2007 and June 2011, Mr. Yeung was also the chief financial officer of Rising Tyre Co., Ltd., a company principally engaged in manufacturing and sales of tires. Mr. Yeung left Vitop Bioenergy Holdings Limited in November 2013 and joined Fair Win Express Limited, a company then principally engaged in manufacturing and sales of car parts and a subsidiary of BeijingWest Industries International Limited (HKEx: 2339), as its financial controller between November 2013 and July 2014.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

From July 2014 to April 2015, Mr. Yeung worked as the vice president, responsible for financial management and control, of DeTeam Company Limited (HKEx: 65) (currently known as Grand Ocean Advanced Resources Company Limited), a company then principally engaged in manufacturing and sales of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services. In May 2015, Mr. Yeung worked as a vice president of a subsidiary of Crown International Corporation Limited (HKEx: 727) (“**Crown International**”), responsible for business development, corporate finance, financial management and control, and was later appointed as the executive director, chief financial officer of Crown International in August 2015, redesignated as its chief executive officer in October 2016 and further appointed as its company secretary in March 2017. Mr. Yeung resigned from Crown International in March 2019. From May 2019 to September 2019, Mr. Yeung was the head of China market development department of Creative Property Services Consultants Limited, a company principally engaged in property management and a subsidiary of Creative Enterprise Holdings Limited (HKEx: 3992). Since April 2021, Mr. Yeung has been the chief financial officer and company secretary of Zhong An Intelligent Living Service Limited which is an integrated property management service provider in the PRC. Since April 2022, Mr. Yeung has been an independent non-executive director of Vixtel Technologies Holdings Limited (HKEx: 1782).

Mr. Yeung graduated from the University of Georgia with the degree of Bachelor of Business Administration, major in accounting and finance in March 1997. Mr. Yeung was admitted as an associate member of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in April 2002 and a member of the American Institute of Certified Public Accountants in July 2001.

**Mr. Chen Jingeng** (陳晉廣先生), aged 45, was appointed as our independent non-executive Director on October 28, 2020. Mr. Chen is primarily responsible for providing independent judgment to our Board.

Mr. Chen has over 12 years of experience in the legal service industry. From November 2007 to April 2008, Mr. Chen was a legal assistant in the Hong Kong office of Clyde & Co., a Hong Kong solicitors’ firm. Since October 2008, Mr. Chen has been working in the Shenzhen office of Zhong Lun Law Firm, focusing in capital market practice, and has been admitted as partner in January 2012. Mr. Chen is a registered lawyer in the PRC.

Mr. Chen graduated from Shanghai University of Finance and Economics and obtained a law degree, specialized in international economic laws, in June 1999. Mr. Chen was further awarded the degree of Master of Laws and the degree of Master of Arts in Legal Studies by the University of Bristol in January 2004 and June 2005, respectively.

### ***Disclosure required under Rule 13.51(2) of the Listing Rules***

Save as disclosed above, none of our Directors has been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules and none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

### **SENIOR MANAGEMENT**

**Mr. Xu Yongsheng** (徐永生先生), aged 39, joined our Group in February 2011 and is currently the deputy general manager cum domestic sales manager of Buyang Wheel. Mr. Xu Yongsheng is primarily responsible for overseeing the domestic sales of the Group.

Prior to joining our Group, Mr. Xu Yongsheng worked in Shanghai Wantai Aluminum Co., Ltd.\* (上海萬泰鋁業有限公司) (currently known as Shanghai Yongmaotai Automotive Technology Co., Ltd. (上海永茂泰汽

---

## DIRECTORS AND SENIOR MANAGEMENT

---

車科技股份有限公司)), a company principally engaged in automobile aluminum alloy and aluminum alloy accessories development, production and sales, as business manager between December 2006 and November 2007 and Yantai Tongtai Renewable Resources Co., Ltd.\* (煙台通泰再生資源有限公司), a company principally engaged in machining and sales of casting materials businesses, as manager between April 2008 and February 2009. Mr. Xu Yongsheng joined Buyang Wheel as deputy domestic sales manager in February 2011 and was later promoted as domestic sales manager in May 2014. Mr. Xu Yongsheng has further been appointed as the deputy general manager of Buyang Wheel in December 2015.

Mr. Xu Yongsheng graduated from Zhejiang University of Science and Technology with financial management specialization in June 2012.

**Mr. Huang Wei** (黃偉先生), aged 36, joined our Group in February 2008 and is currently the deputy general manager cum head of technical department of Buyang Wheel. Mr. Wang is primarily responsible for overseeing the production, technical aspects and product development of the Group.

Mr. Huang joined Buyang Wheel as technician in February 2008, primarily responsible for accessories and products development, and was later promoted as the head of the technical department in March 2014. Mr. Huang has further been appointed as the deputy general manager of Buyang Wheel in December 2015.

Mr. Huang graduated from Lishui University in Zhejiang with computer assisted design and manufacturing (senior) specialization in July 2007.

**Ms. Hu Meijuan** (胡美娟女士), aged 53, joined our Group in February 2008 and is currently our financial controller. Ms. Hu is primarily responsible for financial strategic planning, financial and fund management and internal control matters.

Ms. Hu has over 25 years of experience in accounting. Prior to joining our Group, Ms. Hu worked as a sales accountant in Zhejiang Yongkang Jiamei Resin Wheel Co., Ltd.\* (浙江永康佳美樹脂砂輪有限公司) between February 1993 and December 2000 and as an export sales accountant in Ganghai Group Co., Ltd.\* (綱海集團有限公司) between March 2001 and April 2003. From April 2003 to December 2004, Ms. Hu worked in Zhejiang Suopu Industrial Co., Ltd.\* (浙江索普實業有限公司) as a finance manager and later worked in Zhejiang Guangtai Industry and Trade Co., Ltd.\* (浙江廣泰工貿有限公司) as a finance manager between February 2005 and January 2008. Ms. Hu joined Buyang Wheel in February 2008 as finance manager and was later promoted as the financial controller in August 2008.

Ms. Hu graduated from Zhejiang Province China Accounting Education College\* (浙江省中華會計函授學校) with accounting specialization in July 2002 and was conferred the junior accounting qualification by the Ministry of Finance of the PRC in May 1999.

### JOINT COMPANY SECRETARIES

**Ms. Xu Yuelian** (徐月蓮女士), aged 55, has been appointed as the joint company secretary of our Company on September 25, 2020. Ms. Xu Yuelian is primarily responsible for handling corporate secretarial and compliance work of our Group.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Ms. Xu Yuelian has over 30 years of experience in financial accounting. Between July 1991 and December 2003, Ms. Xu Yuelian performed accounting function in various companies in the PRC. In January 2004, Ms. Xu Yuelian joined Buyang PRC as finance manager and was subsequently promoted as the treasury manager of Buyang PRC in January 2014. Ms. Xu Yuelian has also been the office manager of Buyang Wheel since September 2007 and a supervisor of Buyang Wheel between September 2007 and March 2020.

Ms. Xu Yuelian obtained accountant qualification awarded by Jinhua City Human Resources Bureau\* (金華市人事局) in August 2000 and graduated from Zhejiang University of Science and Technology (浙江科技學院) with accounting specialization in June 2011.

**Ms. Cheung Yuet Fan** (張月芬女士), aged 57, has been appointed as the joint company secretary of our Company on September 25, 2020. Ms. Cheung is primarily responsible for handling corporate secretarial and compliance work of our Group.

Ms. Cheung has over 30 years of experience in the corporate secretarial field and has provided professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Cheung is currently a director of the corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Cheung is currently a company secretary of BII Railway Transportation Technology Holdings Company Limited (HKEx: 1522), Centurion Corporation Limited (HKEx: 6090, SGX: OU8), Future Data Group Limited (HKEx: 8229), Mongolian Mining Corporation (HKEx: 975), Vertical International Holdings Limited (HKEx: 8375), WuXi AppTec Co., Ltd. (HKEx: 2359) and Sanxun Holdings Group Limited (HKEx: 6611). Before joining Tricor Services Limited in June 2013, Ms. Cheung worked in Secretaries Limited, a service company of Deloitte Touche Tohmatsu in Hong Kong between December 1988 and May 1999 and in various Hong Kong listed companies in the role of company secretary and corporate governance areas.

Ms. Cheung was admitted as a fellow of The Hong Kong Institute of Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute) and a fellow of The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute) in the United Kingdom, both in September 2018. Ms. Cheung obtained a Bachelor of Arts degree in Accountancy from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1993.

Ms. Cheung does not act as an employee of our Company, but as an external service provider in respect of the appointment of Ms. Cheung as the joint company secretary of our Company. Pursuant to code provision C.6.1 of the Corporate Governance Code, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. In this respect, our Company has designated Ms. Xu as its contact person of Ms. Cheung.

### BOARD COMMITTEES

#### Audit Committee

We have established our Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the Corporate Governance Code. Our Audit Committee consists of three members, comprising all the independent non-executive Directors, namely Mr. Yeung Man Simon, Mr. Fu Yi and Mr. Chen Jingeng. Mr. Yeung is the chairman of our Audit Committee.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

The primary duties of our Audit Committee are (i) to oversee the engagement and relationship with the external auditor of our Company; (ii) to review the financial statements of our Company; (iii) to review the financial reporting process and oversee the audit process of our Group; (iv) to oversee the risk management and internal control systems and corporate governance of our Group; and (v) to monitor any continuing connected transactions of our Group.

### **Remuneration Committee**

We have established our Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the Corporate Governance Code. Our Remuneration Committee consists of three members, namely Mr. Chen Jingeng, Ms. Xu and Mr. Fu Yi. Mr. Chen is the chairman of our Remuneration Committee.

The primary duties of our Remuneration Committee are (i) to develop a transparent policy in relation to remuneration; (ii) to review and approve the management's remuneration proposals; and (iii) to make recommendations to our Board on the remuneration policy and the structure relating to all Directors and senior management of our Group and the remuneration of our Directors and senior management of our Group with reference to their performance; and (iv) to review and approve other engagement-related arrangement, such as remuneration and compensation arrangement relating to dismissal or removal, of our Directors and senior management.

### **Nomination Committee**

We have established our Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraphs B.3.1 of the Corporate Governance Code. Our Nomination Committee consists of three members, namely Mr. Xu, Mr. Fu Yi and Mr. Chen Jingeng. Mr. Xu is the chairman of our Nomination Committee.

The primary duties of our Nomination Committee are (i) to review the structure, size and composition of our Board on a regular basis; (ii) to identify individuals suitably qualified to become members of our Board; (iii) to assess the independence of our independent non-executive Directors; and (iv) to make recommendations to our Board relating to appointment, re-appointment and succession planning of Directors and our chief executive officer.

### **REMUNERATION POLICY**

Our Directors and senior management receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions which was determined with reference to the market level of remuneration and compensation paid by comparable companies, the performance of our Group and the performance of such Director or senior management. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, their respective responsibilities and the performance of our Group.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, total remuneration (including directors' fees, salaries, allowance and benefit in kind, discretionary bonus and retirement scheme contributions) paid by us to our Directors amounted to approximately RMB0.5 million, RMB0.8 million, RMB1.2 million and RMB0.5 million, respectively. Our Group's five highest paid individuals for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 included one, two, three and three Directors, respectively, and the aggregate emoluments (including salaries, allowances and benefits in kind, discretionary bonus and retirement scheme contributions) of the remaining individuals were approximately RMB0.9 million, RMB0.6 million, RMB0.5 million and RMB0.2 million, respectively. For more details of the remuneration of our Directors and five highest paid individuals, please refer to Notes 8 and 9 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by us, or receivable by, our Directors, former Directors, or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

As disclosed in the paragraph headed "Directors — Executive Directors" in this section, Ms. Xu Jingjun has been the general manager of Buyang PRC, being the then controlling shareholder of our only operating subsidiary, Buyang Wheel, prior to the Reorganization. As such, the employment relationship was initially entered into between Buyang PRC and Ms. Xu at the relevant times and solely Buyang PRC has been paying her remuneration until February 28, 2021 when we entered into an employment contract directly with Ms. Xu to bear the remuneration of Ms. Xu directly. Buyang PRC has waived the right to seek reimbursement from our Group and the remuneration (including, where applicable, directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contribution) incurred by Buyang PRC in relation to Ms. Xu during the years ended December 31, 2019 and 2020 and the two months ended February 28, 2021, amounted to RMB128,000, RMB129,000 and RMB23,200, respectively.

In addition to Ms. Xu Jingjun, as disclosed in the section headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholder" in this prospectus, both of our non-executive Directors, Mr. Xu Buyun and Mr. Zhu Ning hold various roles in Buyang PRC and its subsidiaries, i.e. the Buyang Group, and received remuneration from the Buyang Group during the Track Record Period. Due to their non-executive role in our Group, Mr. Xu did not receive any remuneration from our Group during the Track Record Period while Mr. Zhu did not receive any remuneration during the year ended December 31, 2019 and received remuneration of RMB153,000, RMB162,000 and RMB67,000 for the two years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively, to reflect his contribution to our Group as Mr. Zhu has been entasked to involve in the Listing application process.

Save as disclosed in this section of the prospectus and the Accountants' Report set out in Appendix I to this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period. Save for the emolument of Ms. Xu being borne by Buyang PRC during the Track Record Period, none of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Under the arrangements currently in force, the aggregate director's fees, salaries, allowance and benefits in kind and retirement scheme contribution, but excluding any commission or discretionary bonus, to be paid by us to our Directors for the year ending December 31, 2022 is estimated to be approximately RMB1.5 million.

### BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Nomination Committee is responsible for reviewing the diversity of our Board. After the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and monitor and evaluate the implementation of our board diversity policy. We will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

### COMPLIANCE ADVISOR

We have appointed Zhongtai International Capital Limited as our compliance advisor in accordance with Rule 3A.19 of the Listing Rules. The term of appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

In accordance with Rule 3A.23 of the Listing Rules and the terms of engagement with our compliance advisor, we will consult with and, if necessary, seek advice from our compliance advisor in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchases;
- (iii) where we propose to use the net proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

---

## SHARE CAPITAL

---

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after the Capitalization Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme):

### Authorized share capital:

	US\$
2,000,000,000 Shares of par value of US\$0.001 each	2,000,000

### Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalization Issue and the Global Offering:

	US\$
152,000,000 Shares in issue immediately prior to the Capitalization Issue and the Global Offering	152,000
598,000,000 Shares to be issued under the Capitalization Issue	598,000
<u>250,000,000</u> Shares to be issued under the Global Offering	<u>250,000</u>
<u>1,000,000,000</u> <b>Total</b>	<u>1,000,000</u>

*Note:* If the Over-allotment Option is exercised in full, then 37,500,000 additional Shares will be issued resulting in a total issued share capital of 1,037,500,000 Shares with an aggregate nominal value of US\$1,037,500.

### ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It does not take into account: (i) any Share which may be allotted and issued pursuant to the issuing mandate (as described below); or (ii) any Share which may be repurchased by our Company pursuant to the repurchase mandate (as described below); or (iii) any Share which may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total number of issued Shares must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the number of issued Shares upon the Listing.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will rank in full for all dividends or other distributions hereafter declared, made or paid on the Shares on or after the date on which they are issued, save for any entitlement to the Capitalization Issue.

### CAPITALIZATION ISSUE

Pursuant to the written resolutions of our then sole Shareholder passed on November 18, 2022 and subject to the conditions set out therein, our Directors were authorized to allot and issue a total of 598,000,000

---

## SHARE CAPITAL

---

Shares credited as fully paid at par to the Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on the date immediately prior to the Listing Date by way of capitalization of an amount of US\$598,000 standing to the credit of the share premium account of our Company.

The Shares so allotted and issued shall rank *pari passu* in all respects with the existing issued Shares. For more details, please refer to “Statutory and General Information — 1. Further information about our Group — C. Written resolutions of our sole Shareholder passed on November 18, 2022” in Appendix IV to this prospectus.

### ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general and unconditional mandate to allot, issue and deal with Shares with a total number not exceeding:

- (i) 20% of the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (not including any Share which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme); and
- (ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below,

provided that the mandate may only be exercised in compliance with the applicable requirements of the Listing Rules.

Our Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal with our Shares pursuant to a rights issue, exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of subscription rights attaching to share options under any Share option scheme or similar arrangement for the time being adopted.

The issuing mandate will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; and
- (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate.

For more details of this issuing mandate, please refer to “Statutory and General Information — 1. Further information about our Group — C. Written resolutions of our sole Shareholder passed on November 18, 2022” in Appendix IV to this prospectus.

### REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general and unconditional mandate to exercise all the powers of our Company to repurchase Shares on the Stock Exchange

---

## SHARE CAPITAL

---

with a total number not more than 10% of the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (not including any Share which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange and such repurchases shall be made in accordance with the requirements of the Listing Rules, the Articles and all applicable laws, regulations and rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — 1. Further Information about Our Group — F. Repurchase by our Company of our own Securities” in Appendix IV to this prospectus.

The repurchase mandate will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; and
- (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate.

For more details of this repurchase mandate, please refer to “Statutory and General Information — 1. Further information about our Group — C. Written resolutions of our sole Shareholder passed on November 18, 2022” and “— F. Repurchase by our Company of our own Securities” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed “Statutory and General Information — 4. Share Option Scheme” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles. For more details, please refer to Appendix III to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Global Offering, the following persons will have or be deemed or taken to have interests and/or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company:

Name of Shareholder	Nature of Interest	As at the Latest Practicable Date		Immediately Following the Completion of the Global Offering		
		Number of Shares <sup>1</sup>	Approximate % of Interest in our Company	Number of Shares <sup>1</sup>	Assuming the Over-allotment Option is not Exercised Approximate % of Interest in our Company	Assuming the Over-allotment Option is Exercised in Full Approximate % of Interest in our Company
Mr. Xu	Interest in controlled corporation <sup>2</sup>	152,000,000(L)	100%	750,000,000(L)	75.00%	72.29%
Ms. Chen	Interest of spouse <sup>3</sup>	152,000,000(L)	100%	750,000,000(L)	75.00%	72.29%
TopSun	Interest in controlled corporation <sup>2</sup>	152,000,000(L)	100%	750,000,000(L)	75.00%	72.29%
First Oriental	Beneficial owner	152,000,000(L)	100%	750,000,000(L)	75.00%	72.29%

*Notes:*

- (1) (L) denotes long position.
- (2) As at the Latest Practicable Date, the entire shareholding interest of First Oriental was held by TopSun which was owned as to 70% by Mr. Xu and 30% by Ms. Chen. Accordingly, each of Mr. Xu and TopSun is deemed to be interested in all the Shares held by First Oriental under the SFO.
- (3) Ms. Chen is the spouse of Mr. Xu. Accordingly, Ms. Chen is deemed to be interested in all the Shares that Mr. Xu is interested in under the SFO.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have or deemed or taken to have interests and/or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), First Oriental will be interested in 75% of the issued Shares of our Company. As at the Latest Practicable Date, First Oriental was wholly-owned by TopSun which was in turn was owned as to 70% by Mr. Xu and 30% by Ms. Chen, the spouse of Mr. Xu. As Mr. Xu and Ms. Chen hold their interests in our Company through TopSun and First Oriental, Mr. Xu and Ms. Chen together with TopSun and First Oriental shall be regarded as a group of Controlling Shareholders under the Listing Rules.

### OTHER BUSINESS INTERESTS OF OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, other than their interests in our Group, Mr. Xu and Ms. Chen were interested in the following businesses:

#### *Buyang Group*

Buyang PRC is a company incorporated in the PRC and owned as to 80% by Mr. Xu and 20% by Ms. Chen. Buyang Group, i.e. Buyang PRC and its subsidiaries, engages in the following businesses:

- (i) Door manufacturing and design, sales and installation of door, window and ancillary products
- (ii) Provision of logistic services
- (iii) Optical instruments and stove manufacturing and sales
- (iv) Property development, agency, sales and rental
- (v) Distribution and retail sales of shoes

Mr. Xu and/or Ms. Chen also holds a direct minority interest in certain non-wholly owned subsidiaries of Buyang PRC.

In addition, Buyang PRC holds a minority interest in certain other companies in the PRC principally engaged in (i) door manufacturing and design, sales, and installation of door, window and ancillary products; (ii) banking business; and (iii) property development, agency, sales and rental.

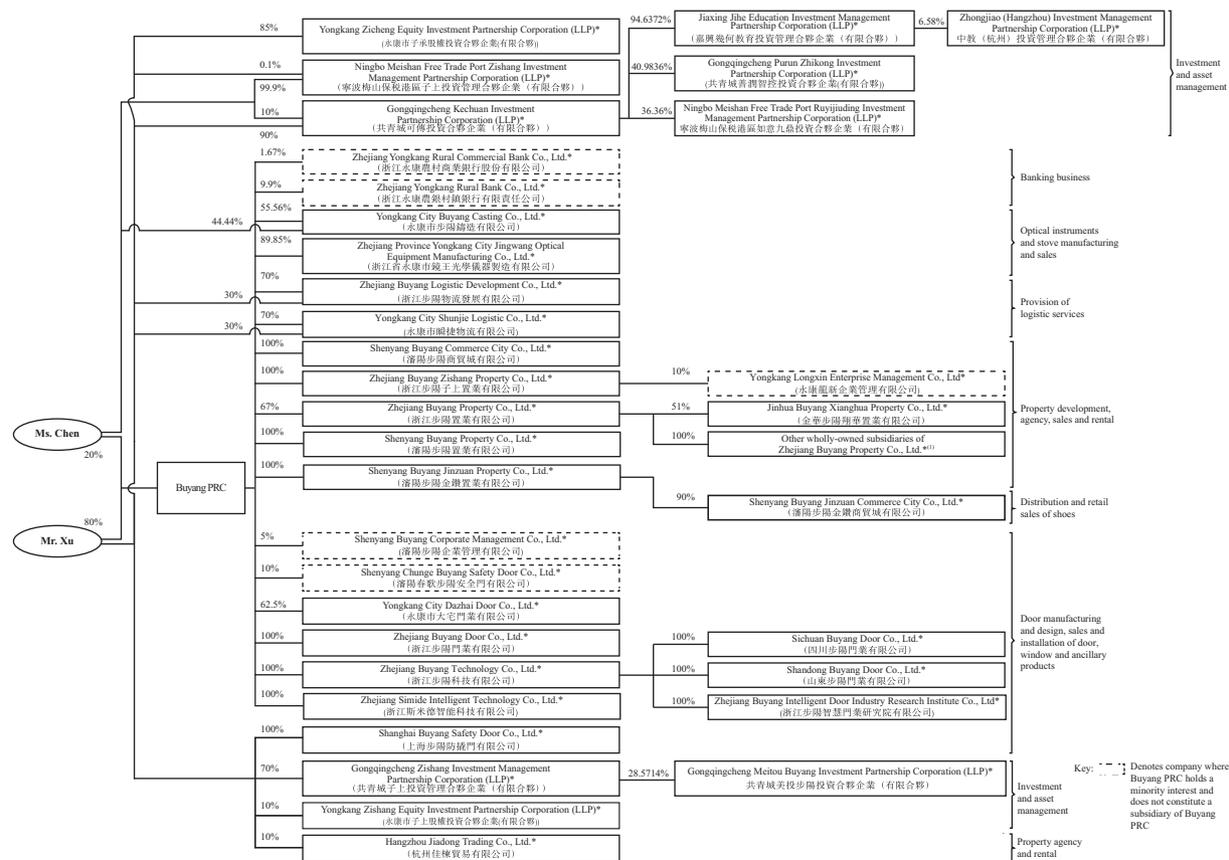
During the Track Record Period, Buyang PRC has not provided any logistic services to the Company.

#### *Other Business Interests*

In addition, Mr. Xu and/or Ms. Chen are also directly interested in various companies incorporated in the PRC which engage in the businesses of (i) door manufacturing and design, sales, and installation of door, window and ancillary products; (ii) investment and asset management; and (iii) property agency and rental.

# RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The chart below sets forth the shareholding interests of Mr. Xu and Ms. Chen in the aforementioned business interests (the “Other Businesses”):



1. Other wholly-owned subsidiaries of Zhejiang Buyang Property Co., Ltd.\* include Ganzhou Buyang Property Co., Ltd.\* (赣州步阳置业有限公司), Shanghai Buyang Property Co., Ltd.\* (上海步阳置业有限公司), Quzhou Buyang Property Co., Ltd.\* (衢州步阳置业有限公司), Lishui Buyang Property Co., Ltd.\* (丽水步阳置业有限公司), Dongyang Buyang Property Co., Ltd.\* (东阳步阳置业有限公司), Jiaoshan Buyang Property Co., Ltd.\* (江山步阳置业有限公司) and Yongkang Buyang Zicheng Property Co., Ltd.\* (永康步阳子承置业有限公司).

The Other Businesses are not included in our Group primarily because they are substantially different from the business focus of our Group, being aluminum alloy automobile wheel manufacturing, and do not compete or likely to compete with our Group. In particular, save for (i) the Workshop and Office Lease Agreement between Buyang PRC and Buyang Wheel as disclosed in the section headed “Connected Transactions” in this prospectus; and (ii) the historic sharing of gas and electricity supplies during the Track Record Period as further described in the paragraph headed “Operational Independence” below, there were no transaction and/or business dealing between the Other Businesses and our Group during the Track Record Period, and, to the best knowledge of Mr. Xu and Ms. Chen, save for our gas supplier, being our fourth largest supplier for each of the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, none of our five largest suppliers and five largest customers during each of the financial years or period during the Track Record Period is a supplier or customer of the Other Businesses.

As confirmed by Mr. Xu and Ms. Chen, they currently have no intention to inject the Other Businesses into our Group.

## RULE 8.10(1) OF THE LISTING RULES

Based on the forgoing, our Controlling Shareholders confirmed that they do not have an interest in any business apart from our Group which competes or likely to compete, either directly or indirectly, with our

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

Group's business that would require disclosure pursuant to Rule 8.10(1) of the Listing Rules throughout the Track Record Period and up to the Latest Practicable Date.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

#### Management Independence

The management of our Group rests with our Board, which consists of three executive Directors, two non-executive Directors and three independent non-executive Directors, together with our senior management. The table below sets forth details of overlapping managerial and/or supervision roles of our management in the Other Businesses:

	<u>Role in our Group</u>	<u>Role in the Other Businesses</u>
<b>Mr. Xu</b>	Non-executive Director and chairman of the Board	<ul style="list-style-type: none"> <li>• Chairman of the board of Buyang PRC</li> <li>• Director of Shenyang Buyang Jinzuan Property Co., Ltd.*</li> <li>• Chairman of the board of Shenyang Buyang Property Co., Ltd.*</li> <li>• Director of Zhejiang Buyang Technology Co., Ltd.*</li> <li>• Chairman of the board of Shenyang Buyang Commerce City Co., Ltd.*</li> <li>• Director and general manager of Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.*</li> <li>• Director and general manager of Zhejiang Buyang Logistic Development Co., Ltd.*</li> <li>• Director and general manager of Yongkang City Shunjie Logistic Co., Ltd.*</li> <li>• Director and general manager of Zhejiang Buyang Property Co., Ltd.*</li> <li>• Supervisor of Yongkang City Dazhai Door Co., Ltd.*</li> <li>• Director of Zhejiang Buyang Intelligent Door Industry Research Institute Co., Ltd.*</li> <li>• Director of Shanghai Buyang Safety Door Co., Ltd.*</li> <li>• Supervisor of Hangzhou Jiadong Trading Co., Ltd.*</li> <li>• Director of Zhejiang Buyang Zishang Property Co., Ltd.*</li> <li>• Director and general manager of Jinhua Buyang Xianghua Property Co., Ltd.*</li> <li>• Chief representative of Ganzhou Buyang Property Co., Ltd.*</li> <li>• Director of Shanghai Buyang Property Co., Ltd.*</li> <li>• Chairman of the board of Shenyang Buyang Jinzuan Commerce City Co., Ltd.*</li> </ul>
<b>Ms. Xu</b>	Executive Director and deputy chairlady of the Board	<ul style="list-style-type: none"> <li>• General manager of Buyang PRC</li> <li>• General manager of Zhejiang Buyang Technology Co., Ltd.*</li> <li>• Director of Sichuan Buyang Door Co., Ltd.*</li> <li>• Director of Shandong Buyang Door Co., Ltd.*</li> <li>• Director and general manager of Zhejiang Simide Intelligent Technology Co., Ltd.*</li> <li>• Supervisor of Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.*</li> </ul>

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

	<u>Role in our Group</u>	<u>Role in the Other Businesses</u>
<b>Mr. Ying Yonghui</b>	Chief executive officer, general manager and executive Director	None
<b>Mr. Zhu Ning</b>	Non-executive Director	<ul style="list-style-type: none"> <li>• Deputy general manager and director of general manager office of Buyang PRC</li> <li>• Director of Zhejiang Buyang Door Co., Ltd.*</li> </ul>
<b>Ms. Hu Huijuan</b>	Executive Director and international sales manager	None
<b>Mr. Fu Yi</b>	Independent non-executive Director	None
<b>Mr. Yeung Man Simon</b>	Independent non-executive Director	None
<b>Mr. Chen Jingeng</b>	Independent non-executive Director	None
<b>Mr. Xu Yongsheng</b>	Deputy general manager cum domestic sales manager	None
<b>Mr. Huang Wei</b>	Deputy general manager cum head of technical department	None
<b>Ms. Hu Meijuan</b>	Financial controller	None

Notwithstanding there exists overlapping management between our Group and the Other Businesses, our Directors believe that we are able to manage our business independently from our Controlling Shareholders based on the following reasons:

- (a) only three out of the eight members of our Board, being less than half of our Board, possess managerial or supervision roles in the Other Businesses and with three independent non-executive Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (b) among the three Directors who possess managerial and/or supervision roles in the Other Businesses, two of them are non-executive Directors who will not involve in the day-to-day management of our Group;
- (c) none of our chief executive officer and senior management personnel, who are the persons most involved in the day-to-day management of our Group, possess any role in the Other Businesses;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted as the quorum; and

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

- (e) each of our Directors, including Mr. Xu, our Controlling Shareholder, is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests.

Notwithstanding Ms. Xu holds multiple management roles in the Other Businesses, as advised and confirmed by Ms. Xu, Ms. Xu will be able to devote sufficient time to act as our executive Director and deputy chairlady of the Board based on the following:

- engagement as director of each of Sichuan Buyang Door Co., Ltd.\*, Shandong Buyang Door Co., Ltd.\* and Zhejiang Simide Intelligent Technology Co., Ltd.\*, and as supervisor of Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.\* does not require her full-time involvement and participation in the daily operations and she is primarily responsible for overseeing the management and strategic development of these companies. The daily management and operations of these companies are carried out by the senior management team with members that are able to devote substantially all of their time to the respective businesses;
- Ms. Xu's engagement as the general manager of each of Buyang PRC, Zhejiang Buyang Technology Co., Ltd.\* and Zhejiang Simide Intelligent Technology Co., Ltd.\* does not always require her full-time involvement, and she is supported by other managers and senior staff working on full-time basis for the daily business;
- with her background and experience, Ms. Xu is fully aware of the responsibilities and expected time involvements for an executive director. Ms. Xu has not found difficulties in devoting her time to multiple companies and she is confident that with her experience in taking on multiple corporate roles, she will be able to discharge her duties to our Company; and
- Ms. Xu attended and will continue to attend meetings from time to time to review and discuss with senior management in relation to our Group's business.

Based on the foregoing, our Company does not have reasons to believe that the various positions currently held by Ms. Xu will result in Ms. Xu not having sufficient time to act as an executive Director or not properly discharging her duties as an executive Director.

Nevertheless, pursuant to the Corporate Governance Code, our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to our Company, and whether each Director is spending sufficient time in performing his responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, and if required under the Corporate Governance Code, explain why such individual who is considered to be holding a number of management roles would still be able to devote sufficient time to our Board.

### **Financial Independence**

We have established our own finance department with a team of financial staff, who are responsible for accounting and treasury matters of our Group. The finance department is independent from our Controlling Shareholders and their close associates and we have established independent audit system, accounting system and financial management system. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

During the Track Record Period, our Group had obtained certain financial assistances from our Controlling Shareholders, Buyang Group and Ms. Xu, our executive Director, deputy chairlady of the Board and daughter of Mr. Xu and Ms. Chen (our Controlling Shareholders), and the outstanding balance (excluding outstanding balances that are trade nature and payable for deemed distribution arising from Reorganization) as at December 31, 2019, 2020 and 2021 and May 31, 2022 are as follows:

	<u>As at December 31,</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>May 31,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2022</u>
Buyang Group	11,067	—	—	—
First Oriental	—	1,187	1,153	1,197
Ms. Xu	1,050	—	—	—

None of the bank loans of our Group during the Track Record Period were guaranteed by our Controlling Shareholders or their respective close associates nor secured by any of their assets. As at the Latest Practicable Date, all the advances from First Oriental has been settled by way of loan capitalization and, other than trade nature outstanding balances, our Group had no outstanding balance of loan or amount due to any of our Controlling Shareholders or their respective close associates. For details of the loan capitalization, please refer to the paragraph headed “History, Reorganization and Corporate Structure — Reorganization — Step 10: Loan capitalization”.

Based on the aforementioned, our Directors believe that we are able to be financially independent from our Controlling Shareholders after the Listing.

### **Operational Independence**

During the Track Record Period, we rent the Leased Property where our production and office facilities are located from Buyang PRC and we expected to continue to rent and use the Leased Property after the Listing. We have entered into the Workshop and Office Lease Agreement with Buyang PRC in respect of such premises for a term of twenty years from January 1, 2015 to December 31, 2034. For more details of the Workshop and Office Lease Agreement, please refer to “Connected Transactions — Subsisting Transaction Entered Into Before the Listing Which Would Otherwise Constitute Connected Transaction — Workshop and Office Lease Agreement” in this prospectus.

In addition, during the Track Record Period, we shared the gas and electricity supplies with Buyang PRC where Buyang PRC arranged the relevant supplies from the respective utility service providers and we reimburse Buyang PRC based on our actual usage and the unit price charged by the relevant utility service provider. We have arranged gas supplies directly from the utility service provider and to settle the relevant charges directly with such service provider since May 2020 while independent electricity supply is expected to be available prior to the Listing.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

Our Directors believe that renting the Leased Property where our production and office facilities are located from Buyang PRC, an associate of our Controlling Shareholders, will not undermine our ability to operate independently due to the following reasons:

- (a) the term of the Workshop and Office Lease Agreement only expires on December 31, 2034 and there will be sufficient time for our Group to negotiate with Buyang PRC and/or arrange re-location of our production and office facilities in advance of the expiration of the Workshop and Office Lease Agreement;
- (b) Buyang PRC is not allowed to unilaterally early terminate the Workshop and Office Lease Agreement other than due to the cessation of business of Buyang Wheel rendering it unable to continue to perform the Workshop and Office Lease Agreement or the occurrence of force majeure event rendering Buyang PRC or Buyang Wheel incapable of continuing to perform the Workshop and Office Lease Agreement;
- (c) pursuant to the *Contract Law of the PRC* (《中華人民共和國合同法》), should Buyang PRC dispose the Leased Property during the lease term, the validity of the Workshop and Office Lease Agreement will not be affected and the purchaser of the Leased Property is required to continue to lease the Leased Property to Buyang Wheel in accordance with the terms and conditions of the Workshop and Office Lease Agreement;
- (d) pursuant to the terms and conditions of the Workshop and Office Lease Agreement, Buyang PRC, as the landlord of the Leased Property is not allowed to interfere with our usage of the Leased Property during the term of the Workshop and Office Lease Agreement unless Buyang Wheel violates the laws, regulations or the terms of the Workshop and Office Lease Agreement; and
- (e) notwithstanding the electricity supply of our Group is arranged through Buyang PRC, such arrangement will be terminated prior to the Listing and we have arranged independent electricity supply which will be effective prior to the Listing.

Based on the foregoing and the following factors, our Directors believe that we are able to operate independently from our Controlling Shareholders after the Listing:

- (a) we have independent access to our customers and suppliers and save for (i) Buyang PRC being our third, third, fifth and fifth largest supplier for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 by virtue of the gas and electricity supplies arranged through Buyang PRC which has been or expected to be terminated prior to the Listing as discussed above; and (ii) our fourth largest supplier for each of the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, being the gas supplier of the Other Businesses and us, none of our five largest suppliers and customers during each of the financial years or period during the Track Record Period is a supplier or customer, as the case may be, of our Controlling Shareholders or their respective associates;
- (b) we hold all licenses that are material to the operation of our business;
- (c) we have our own operational structure and departments and we do not share such resources with our Controlling Shareholders and their respective associates or companies of the Other Businesses;

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

- (d) save as disclosed in section headed “Connected Transactions”, there were no material business dealings between our Group and our Controlling Shareholders; and
- (e) we have established a set of internal control measures and policies to facilitate the effective operation of our business.

---

## CONNECTED TRANSACTIONS

---

### OVERVIEW

We have entered into certain transactions with party who will, upon the Listing, become our connected person, and such transactions are expected to continue after the Listing, constituting connected transactions and/or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

In addition, we have entered into a lease transaction, which is expected to subsist after the Listing, with party who will, upon the Listing, become our connected person. Such transaction, if entered into after the Listing, would have constituted a one-off connected transaction of our Company.

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### Sales Agreements with Zhejiang Feishen

During the Track Record Period, Zhejiang Feishen Automobile Co., Ltd.\* (浙江飛神車業有限公司) (“**Zhejiang Feishen**”) purchased aluminum alloy automobile wheels from Buyang Wheel, with revenue recognized by our Group amounted to approximately RMB23,000, nil, nil and nil for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Such transactions were conducted on normal commercial terms, with the price determined with reference to our internal reference price list.

#### *Listing Rules Implications*

As at the Latest Practicable Date, Zhejiang Feishen is owned as to (i) 70% by Feishen Group Co., Ltd.\* (飛神集團有限公司), which in turn is owned as to 66.67% by Mr. Chen Xiangyang, 16.67% by Mr. Chen Bin and 16.67% by Ms. Chen Jiangbo; (ii) 20% by Mr. Chen Xiangyang; (iii) 5% by Mr. Chen Bin; and (iv) 5% by Ms. Chen Jiangbo. Mr. Chen Xiangyang, Mr. Chen Bin and Ms. Chen Jiangbo are (i) brothers and sister of Ms. Chen, our Controlling Shareholder; (ii) brothers-in-law and sister-in-law of Mr. Xu, our chairman, non-executive Director and Controlling Shareholder; and (iii) uncles and auntie of Ms. Xu, our deputy chairlady and executive Director.

Accordingly, Zhejiang Feishen is a connected person of our Company and any sales agreement to be entered into between Zhejiang Feishen and our Group after the Listing will constitute connected transactions and/or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As the sale and purchase of aluminum alloy automobile wheels between Zhejiang Feishen and our Group are conducted on normal commercial terms and the annual transaction amount is expected to be less than HK\$3.0 million with the highest applicable percentage ratio expected to be less than 5%, such transactions are expected to be fully exempted from the reporting, announcement, circular, independent Shareholders’ approval and annual review requirements pursuant to Rule 14A.76(1) of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules if the annual transaction amount exceeds HK\$3.0 million and/or the highest applicable percentage ratio exceeds 5%.

---

## CONNECTED TRANSACTIONS

---

### SUBSISTING TRANSACTION ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTION

#### Workshop and Office Lease Agreement

On December 20, 2014, Buyang Wheel entered into the Workshop and Office Lease Agreement with Buyang PRC pursuant to which Buyang Wheel agreed to rent and Buyang PRC agreed to let the Leased Property, being the workshop, the office and the land located on 8 Buyang Road, Xicheng, Yongkang City, Zhejiang Province, PRC.

#### *Listing Rules Implications*

As our Company has adopted HKFRSs 16 in the preparation of the financial statements of our Company as set out in the Accountants' Report in Appendix I to this prospectus, the Workshop and Office Lease Agreement has been recognized as an asset representing our right to use the Leased Property and a liability to make rent payments during the lease term. Accordingly, the Workshop and Office Lease Agreement and the lease thereunder constitute one-off transaction of our Company within the meaning of the Listing Rules.

As at the Latest Practicable Date, Buyang PRC is owned as to 80% by Mr. Xu, our chairman, non-executive Director and Controlling Shareholder and 20% by Ms. Chen, our Controlling Shareholder. Accordingly, Buyang PRC is a connected person of our Company. If the Workshop and Office Lease Agreement was entered into after the Listing, the entering into of the Workshop and Office Lease Agreement and the lease thereunder would have constituted connected transaction of our Company under Chapter 14A of the Listing Rules and, as the highest applicable percentage ratio of the Workshop and Office Lease Agreement is more than 0.1% but less than 5%, the Workshop and Office Lease Agreement would have been subjected to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

#### *Principal Terms*

The principal terms of the Workshop and Office Lease Agreement are as follows:

<b>Date of Agreement</b>	December 20, 2014 <i>(as supplemented by the supplemental agreement dated August 3, 2020)</i>
<b>Parties</b>	(1) Buyang PRC (2) Buyang Wheel
<b>Subject Matter</b>	Buyang PRC agreed to let the Leased Property to Buyang Wheel and Buyang Wheel agreed to rent the Leased Property from Buyang PRC
<b>Gross Floor Area</b>	18,153 sq. m
<b>Term</b>	January 1, 2015 to December 31, 2034

---

## CONNECTED TRANSACTIONS

---

**Annual Rent** RMB900,000 (subject to adjustment), payable before January 31 of each year

**Rent Adjustment** Either party may request review of the annual rent every three years during the term of the Workshop and Office Lease Agreement, with the first review being the annual rent for 2024. Upon such review, the annual rent shall be adjusted to the then market rent determined by an independent third-party valuer agreed by the parties whose fee shall be born by the party requesting the review.

If the review resulting in annual rent being increased by more than 20%, Buyang Wheel may, within three months from receiving the valuation report, terminate the Workshop and Office Lease Agreement at such time determined by Buyang Wheel.

**Termination** The Workshop and Office Lease Agreement can be terminated upon:

- (1) the end of the term of the Workshop and Office Lease Agreement;
- (2) mutual agreement prior to the end of the term of the Workshop and Office Lease Agreement due to material change in objective circumstances;
- (3) Not less than six months notice by Buyang Wheel unilaterally;
- (4) cessation of business of Buyang Wheel, rendering it unable to continue to perform the Workshop and Office Lease Agreement; and
- (5) force majeure on the part of any of the parties rendering any of the parties incapable of continuing to perform the Workshop and Office Lease Agreement.

Buyang PRC shall have the right to seek for compensation if Buyang Wheel is incapable of or unable to continue to perform the Workshop and Office Lease Agreement due to cessation of business.

### *Reasons for and Benefit of Entering into of the Workshop and Office Lease Agreement*

Buyang Wheel has been operating in the Leased Property since its incorporation and all our production and office facilities are located in the Leased Property. In order to secure the continual usage of the Leased Property, Buyang Wheel entered into the Workshop and Office Lease Agreement with Buyang PRC.

Our Directors are of the opinion that (i) the transaction under the Workshop and Office Lease Agreement is in the ordinary and usual course of business of our Group and in the interests of our Company and our Shareholders as a whole; and (ii) the terms of the Workshop and Office Lease Agreement are on normal commercial terms and are fair and reasonable.

---

## CONNECTED TRANSACTIONS

---

For more details on the Workshop and Office Lease Agreement, please refer to “Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence” in this prospectus.

*Basis of Determination of the Consideration*

The annual rent was determined with reference to the rent of comparable properties within the locality of the Leased Property and other factors including location, quality, size and renovation condition of the Leased Property, taking into consideration of the opinion of a valuation company, which is an Independent Third-Party.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

### FUTURE PLANS

We plan to implement a series of business strategies and future plans in order to expand our business and strengthen our position in our industry. For more details, please refer to “Business — Our Business Strategies” in this prospectus.

### USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.50 to HK\$0.60 per Offer Share, our Company will receive net proceeds of approximately HK\$90.1 million (equivalent to approximately RMB78.6 million) from the issue of the Offer Shares, after deducting underwriting fees and other expenses paid and payable by us in connection with the Global Offering, excluding any discretionary incentive fee which may be paid, in the aggregate amount of approximately HK\$47.4 million (equivalent to approximately RMB41.4 million).

We intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately 57.0% (approximately HK\$51.4 million or RMB44.8 million) will be used for the expansion of our production capacity, including purchase of new equipment for our production of aluminum alloy automobile wheels.

The expansion plan will be divided into two separate phases from December 2022 to November 2024, which is expected to increase our annual production capacity from approximately 1.2 million units currently to approximately 2.4 million units upon completion of the expansion plan.

- i. Approximately 49.0% (approximately HK\$44.1 million or RMB38.5 million) will be used for the investment in the first phase of our aluminum alloy automobile wheel production capacity expansion from December 2022 to November 2023. The first phase of expansion is expected to increase our annual production capacity from approximately 1.2 million units to approximately 2.0 million units. The amount will primarily be used for the purchase of machines and equipment used in our manufacturing processes:
  - a. approximately 8.3% (approximately HK\$7.5 million or RMB6.5 million) for equipment used during the machining phase;
  - b. approximately 27.6% (approximately HK\$24.8 million or RMB21.7 million) for equipment used during the casting phase;
  - c. approximately 9.4% (approximately HK\$8.5 million or RMB7.4 million) for equipment used during the smelting and heat treatment phases; and
  - d. approximately 3.7% (approximately HK\$3.3 million or RMB2.9 million) for product quality control equipment which includes an advance helium leak detector used for product quality control which offers superior accuracy on leak detection of our products than our current method which involves submerging our products in a water tank and visually observing possible leakage.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- ii. Approximately 8.0% (approximately HK\$7.3 million or RMB6.3 million) will be used for the investment in the second phase of our aluminum alloy automobile wheel production capacity expansion from December 2023 to November 2024. The second phase of expansion is expected to increase our annual production capacity from approximately 2.0 million units to approximately 2.4 million units. The amount will be used for the purchase of machines and equipment used in our manufacturing processes:
  - a. approximately 5.7% (approximately HK\$5.2 million or RMB4.5 million) for equipment used during the machining phase; and
  - b. approximately 2.3% (approximately HK\$2.1 million or RMB1.8 million) for equipment used during the smelting and casting phases.
- Approximately 36.2% (approximately HK\$32.5 million or RMB28.4 million) will be used for the construction of a new manufacturing facility, warehouse and other supporting facilities on potential land parcel we plan to acquire by using our internal resources to accommodate our expansion of production capacity.
- Approximately 6.8% (approximately HK\$6.2 million or RMB5.4 million) will be used for the design, development and testing of our new molds and prototypes; and
  - i. approximately 1.5% (approximately HK\$1.4 million or RMB1.2 million) for the recruitment of three design and development personnel and we expect them to possess relevant degree in mechanics and more than five years of relevant work experience in mold designing and prototype testing; and
  - ii. approximately 5.3% (approximately HK\$4.8 million or RMB4.2 million) for the purchase of testing equipment used during the testing of molds and prototypes that we produced based on our molds.

We consider multiple factors when determining whether to invest in particular projects. These factors include (i) whether such investments will help us optimize our production costs; and (ii) whether such investments will help us stay competitive in the future.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised, our net proceeds will increase to approximately HK\$102.2 million (equivalent to approximately RMB89.1 million) or decrease to approximately HK\$77.9 million (equivalent to approximately RMB68.0 million), respectively. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

The total amount of net proceeds that we would receive if the Over-allotment Option is exercised in full would be (i) HK\$124.0 million (equivalent to approximately RMB108.2 million) (assuming an Offer Price of HK\$0.60 per Share, being the high-end of the Offer Price range stated in this prospectus); (ii) HK\$110.1 million (equivalent to approximately RMB96.0 million) (assuming an Offer Price of HK\$0.55 per Share, being the

---

## FUTURE PLANS AND USE OF PROCEEDS

---

mid-point of the Offer Price range stated in this prospectus); and (iii) HK\$96.1 million (equivalent to approximately RMB83.9 million) (assuming an Offer Price of HK\$0.50 per Share, being the low-end of the Offer Price range stated in this prospectus). The total amount of net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong (as defined under the SFO) and the PRC (as defined under the PRC Laws). The allocation of our use of proceeds may be adjusted according to our future development strategies and progress. In the event of any change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

### REASONS FOR THE LISTING AND THE GLOBAL OFFERING

We believe that the Listing and the Global Offering will facilitate us in the implementation of our business strategies to expand our production capacity and strengthen and broaden our customer base.

Our Directors are of the view that the Listing can provide us with the funds required for our new expansion plan, which our internal financial resources alone are insufficient to support. The estimated total funding requirement for our expansion plan is approximately RMB111.4 million, which will exceed the estimated available internal financial resources of our Group in the absence of the net proceeds from the Listing.

As of September 30, 2022, our Group had cash and cash equivalents balance of approximately RMB132.7 million from net cash generated from our operations during the Track Record Period. It is our intention to fund our business expansion plan, which is capital expenditure in nature, with (i) our existing cash on hand in the amount of approximately RMB38.2 million; and (ii) the net proceeds from the Global Offering in the amount of approximately RMB73.2 million.

In addition to funding needs, our Directors believe that we can commercially benefit from the Listing in the following aspects:

- (1) Listing on the Main Board of the Stock Exchange can further enhance our reputation and creditworthiness, thereby helping us to attract additional business opportunities. Meanwhile, it will strengthen our bargaining power in cooperating with our customers and suppliers. The status of being a listed company in Hong Kong would also enhance our Group's reputation amongst our competitors which would help implement our business strategies, expand our customer base and increase our market share in the industry.
- (2) We believe that the scrutiny process during the Listing will enable us to demonstrate to the public that our corporate governance, legal compliance, internal control, and operational and financial reporting capabilities have satisfied the heightened standards for public companies, which could enhance our ability to attract strategic investors and business partners.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- (3) We can attract and retain experienced staff more effectively and enhance our staff loyalty. Our Directors are of the view that experienced staff are crucial to the continuing development of our Group and that the listing status will enable us to retain our experienced staff and attract more talents to join.
  
- (4) Listing on the Main Board of the Stock Exchange can help us establish our international presence and access to foreign funding sources, which is strategically critical to our long-term growth as it will provide us with additional sources to raise capital for expansion and other development needs. Following the Listing, we will have access to the capital markets, providing us additional sources for future fundraising through the issuance of equity and debt securities for business expansion.

---

## CORNERSTONE INVESTOR

---

### THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with Arda (HK) Investment Co., Limited (“**Arda Investment**” or the “**Cornerstone Investor**”), pursuant to which, subject to certain conditions precedent, the Cornerstone Investor has agreed to subscribe, at the Offer Price, for certain number of our Offer Shares (rounded down to the nearest whole board lot of 5,000 Shares) that may be purchased for with an amount of HK\$30.0 million as part of the International Placing (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$0.50 per Offer Share, being the low end of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investor would be 60,000,000, representing (i) approximately 24.0% of the Offer Shares and approximately 6.0% of the total issued share capital upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, or (ii) approximately 20.9% of the Offer Shares and approximately 5.8% of the total issued share capital upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme.

Based on the Offer Price of HK\$0.55 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investor would be 54,545,000, representing, (i) approximately 21.8% of the Offer Shares and approximately 5.5% of the total issued share capital upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, or (ii) approximately 19.0% of the Offer Shares and approximately 5.3% of the total issued share capital upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme.

Based on the Offer Price of HK\$0.60 per Offer Share, being the high end of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investor would be 50,000,000, representing, (i) approximately 20.0% of the Offer Shares and approximately 5.0% of the total issued share capital upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, or (ii) approximately 17.4% of the Offer Shares and approximately 4.8% of the total issued share capital upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme.

The Directors believe that introducing the Cornerstone Investor to the Global Offering can secure the subscription of a certain amount of the Offer Shares, thus reducing the risk of unsuccessful issuance under volatile market conditions. In addition, we are of the view that the investment of the Cornerstone Investor demonstrate to the potential investors that the Cornerstone Investor is confident in our business and prospects.

The Cornerstone Placing forms part of the International Placing, and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment

---

## CORNERSTONE INVESTOR

---

Agreement). The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company.

Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of us (as defined under the Listing Rules).

To the best knowledge of our Directors, the Cornerstone Investor is a third party independent from our Company, not our connected person and not our existing shareholder or its close associates. In addition, we confirm that (i) there are no side agreements or arrangements between us and the Cornerstone Investor; (ii) the Cornerstone Investor is not accustomed to take instructions from us, our Directors, chief executive, our Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal or other disposition of the Offer Shares; and (iii) the subscription of the Shares by the Cornerstone Investor is not financed by us, our Directors, chief executive, our Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates.

As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources and/or the financial resources of its controlling shareholder. The Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, none of the Cornerstone Investor or its shareholders are listed on any stock exchange and no specific approval from any stock exchange is required for the Cornerstone Placing.

If there is over-allocation in the International Placing, there may be deferred delivery of the Offer Shares to be subscribed for by the Cornerstone Investor under the Cornerstone Placing. The Cornerstone Investor has agreed that the Sole Overall Coordinator may, in its sole discretion, defer the delivery of all or part of the Offer Shares that the Cornerstone Investor has subscribed for to a date later than the Listing Date. The Cornerstone Investor who has agreed to a potential delayed delivery arrangement, has agreed to pay for the relevant Offer Shares that it has subscribed for before dealings in the Offer Shares commence on the Stock Exchange. As such, there will be no deferred settlement for the investment amount. The Offer Shares to be subscribed for by the Cornerstone Investor may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering. See “Structure and Conditions of the Global Offering — the Hong Kong Public Offering — Reallocation” for details. Details of the allocation to the Cornerstone Investor will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around December 14, 2022.

## CORNERSTONE INVESTOR

The following table summarizes the details of the Cornerstone Placing:

Cornerstone Investor	Subscription amount	Number of Offer Shares	Assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme		Assuming the Over-Allotment Option is fully exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	
			Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
	<i>HK\$</i>	<i>(rounded down to nearest whole board lot of 5,000 shares)</i>				
<b>Based on an Offer Price of HK\$0.50 (being the low-end of the Offer Price range)</b>						
Arda Investment	30,000,000	60,000,000	24.0%	6.0%	20.9%	5.8%
<b>Based on an Offer Price of HK\$0.55 (being the mid-point of the Offer Price range)</b>						
Arda Investment	30,000,000	54,545,000	21.8%	5.5%	19.0%	5.3%
<b>Based on an Offer Price of HK\$0.60 (being the high-end of the Offer Price range)</b>						
Arda Investment	30,000,000	50,000,000	20.0%	5.0%	17.4%	4.8%

### THE CORNERSTONE INVESTOR

The information about the Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

Arda Investment was incorporated in Hong Kong on December 9, 2009 and is principally engaged in equity investment. Arda Investment is ultimately controlled by Mr. Hu Zhong Huai (胡忠懷) (“**Mr. Hu**”), an Independent Third-Party.

Mr. Hu is an acquaintance of Mr. Xu, our non-executive Director and chairman of the Board. Mr. Hu is a PRC national and got to know our Group through Buyang Wheel, an operating subsidiary of our Group, which is a well-known local company in Yongkang City, Zhejiang Province, the PRC. Mr. Hu is a businessman and entrepreneur in home appliances business and has substantial investment experience. Mr. Hu’s investments mainly focus on manufacturing industry. Mr. Hu is a non-executive director and the single largest shareholder of Casa Holdings Limited, which is a company listed on the Mainboard of Singapore Exchange Securities Trading Limited (SGX: C04). Mr. Hu conducts his principal business through Arda (Zhejiang) Electrical Co., Ltd.\* (浙江安德電器有限公司), of which he is a major shareholder and an executive director. Meanwhile, to the best knowledge of our Directors, Mr. Hu also has investments in Zhejiang Heng Jin Tong Sheng Venture

---

## CORNERSTONE INVESTOR

---

Investment Partnership (limited partnership)\* (浙江恒晋同盛創業投資合夥企業 (有限合夥)), Zhejiang Melox Electric Appliance Co., Ltd.\* (浙江美樂克斯電器股份有限公司) and other companies. Mr. Hu holds a Bachelor of International Business degree from the University of Victoria, Canada.

### CLOSING CONDITIONS

The subscription obligation of the Cornerstone Investor under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the underwriting agreements for the Hong Kong Public Offering and the International Placing being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed according to the underwriting agreements and the price determination agreement to be signed among the parties thereto in connection with the Global Offering;
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

### RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months starting from and inclusive of the Listing Date (the “**Lock-up Period**”), directly or indirectly, dispose of, in any way, any of the Shares subscribed for by it under the Cornerstone Investment Agreement (the “**Investor Shares**”), and any shares or other securities of or interests in our Company which are derived from the Investor Shares pursuant to any rights issue, capitalization issue or other form of capital reorganization (whether such transactions are to be settled in cash or otherwise) (together with the Investor Shares, the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares; (ii) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of the Relevant Shares; (iii) grant any call option (whether physical or cash settled) or similar right to any third party in respect of any Share; (iv) acquire any put option (whether physical or cash settled) or similar right in respect of any Share; (v) comes into a short position (within the definition of the SFO) in respect of any Relevant Shares; (vi) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; or (vii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction. In the event of a

---

## **CORNERSTONE INVESTOR**

---

disposal of any Relevant Shares at any time after the Lock-up Period, the Cornerstone Investor will ensure that such disposal will comply with all applicable laws, and will use its best endeavors to ensure that any such disposal does not create a disorderly or false market in our Shares.

---

## UNDERWRITING

---

### UNDERWRITERS

#### **Hong Kong Underwriters**

Zhongtai International Securities Limited  
BOCOM International Securities Limited  
SPDB International Capital Limited  
GF Securities (Hong Kong) Brokerage Limited  
CEB International Capital Corporation Limited  
China PA Securities (Hong Kong) Company Limited  
Southwest Securities (HK) Brokerage Limited  
First Shanghai Securities Limited  
China Tonghai Securities Limited  
Zheshang International Financial Holdings Co., Limited  
ZMF Asset Management Limited  
West Bull Securities Limited  
Goldlink Securities Limited  
Sunhigh Financial Holdings Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus.

Subject to, among other conditions, the granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to procure subscribers to subscribe for, or failing which they shall subscribe for the Hong Kong Offer Shares severally (and not jointly nor jointly and severally), subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Global

---

## UNDERWRITING

---

Coordinator shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (1) there comes to the notice of the Sole Overall Coordinator and the Sole Global Coordinator that:
  - (a) any matter or event showing any of the representations, warranties and undertakings given to the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters under the Hong Kong Underwriting Agreement or the Cornerstone Investment Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Hong Kong Underwriting Agreement by any party to the Hong Kong Underwriting Agreement other than the Hong Kong Underwriters which, in any such cases, is considered, in the reasonable opinion of the Sole Overall Coordinator and the Sole Global Coordinator, to be material in the context of the Hong Kong Public Offering; or
  - (b) any statement contained in this prospectus, the **GREEN** Application Form, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued, given or used for the purposes of or in connection with the Hong Kong Public Offering and/or the International Placing (including any supplement or amendment to any of the documents) (collectively, the “**Offer Documents**”) has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Overall Coordinator and the Sole Global Coordinator, to be material in the context of the Hong Kong Public Offering; or
  - (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Hong Kong Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Hong Kong Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Overall Coordinator and the Sole Global Coordinator to be material in the context of the Hong Kong Public Offering; or
  - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Overall Coordinator and the Sole Global Coordinator, a material omission in the context of the Hong Kong Public Offering; or
  - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
  - (f) any breach by any party to the Hong Kong Underwriting Agreement other than the Hong Kong Underwriters of any provision of the Hong Kong Underwriting Agreement or the Cornerstone

---

## UNDERWRITING

---

Investment Agreement which, in the reasonable opinion of the Sole Overall Coordinator and the Sole Global Coordinator, is material in the context of the Hong Kong Public Offering; or

- (g) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or
  - (h) approval by the Listing Committee of the listing of, and permission to deal in, our Shares is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (i) our Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
  - (j) any person (other than the Sole Overall Coordinator, the Sole Global Coordinator and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in the Offer Documents or to the issue of the Offer Documents; or
  - (k) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (l) a significant portion of the orders placed or confirmed in the book building process, or of the investment commitments made by the cornerstone investor under the Cornerstone Investment Agreement have been withdrawn, terminated or cancelled, or the Cornerstone Investment Agreement is terminated;
- (2) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
  - (b) any change or development involving a prospective change or development, or any event, circumstance or series of events likely to result in or representing any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or

---

## UNDERWRITING

---

other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group; or

- (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
- (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business of our Group; or
- (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC or any other jurisdiction relevant to the business of our Group; or
- (h) any general moratorium on commercial banking activities in the PRC or Hong Kong or any other jurisdiction relevant to the business of our Group declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting the PRC, Hong Kong or any other jurisdiction relevant to the business of our Group; or
- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19 (and such related/ mutated form), Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, terrorism, strike or lock-out; or
- (j) any litigation, dispute, legal action, claim, regulatory investigation or legal proceeding or action being threatened or instigated or announced against any member of our Group; or
- (k) an authority or a political body or organization in the PRC or Hong Kong or any other jurisdiction relevant to the business of our Group commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

---

## UNDERWRITING

---

- (l) save as disclosed in the Offer Documents, a material contravention by any member of our Group or any Director of any applicable laws including the Listing Rules; or
- (m) any valid demand by any creditors for repayment or payment of any of our Group's indebtedness in respect of which our Group is liable prior to its stated maturity or an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (n) any change or prospective change or development, or any materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or
- (o) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, rules and regulations; or
- (p) except with the prior written consent of the Sole Overall Coordinator and the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the Listing Rules or any other applicable laws or any requirement or request of the Stock Exchange and/or the SFC;

which in the reasonable opinion of the Sole Overall Coordinator and the Sole Global Coordinator acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Hong Kong Underwriters to proceed with the Hong Kong Public Offering as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the RMB against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

---

## UNDERWRITING

---

- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

### UNDERTAKINGS TO THE STOCK EXCHANGE UNDER THE LISTING RULES

#### Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering and the Over-allotment Option as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

#### Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Global Offering and save as permitted under the Listing Rules, he/she/it shall not and shall procure that the relevant registered shareholder(s) shall not:

- (i) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be the controlling shareholder or a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that, within a period commencing on the date by reference to which disclosure of the shareholding of such persons is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

- (a) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

---

## UNDERWRITING

---

- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with the Listing Rules as soon as possible.

### UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

#### Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the issue of Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise with the prior written consent of the Sole Overall Coordinator and the Sole Global Coordinator, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, at any time during the First Six-month Period:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of the share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the Second Six-month Period, we will take all reasonable steps to ensure that any such action will not create a disorderly or false market for any Shares or other securities of our Company.

---

## UNDERWRITING

---

### Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, our Company and the Hong Kong Underwriters that during the First Six-month Period, he/she/it shall not, without the prior written consent of the Sole Overall Coordinator and the Sole Global Coordinator and unless pursuant to the Stock Borrowing Agreement, the Share Option Scheme or any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Shares in respect of which he/she/it is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) enter or agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, our Company and the Hong Kong Underwriters that he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it if, immediately following such disposal or upon exercise or enforcement of such options, rights, interest or encumbrances, he/she/it would cease to be our Controlling Shareholder or would together with other Controlling Shareholders cease to be, or be regarded as, a group of our Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by him/her/it or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

---

## UNDERWRITING

---

Each of our Controlling Shareholders has further undertaken to each of the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, our Company and the Hong Kong Underwriters that within the first 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any securities or interests in the securities of our Company beneficially owned by him/her/it directly or indirectly, immediately inform our Company, the Sole Overall Coordinator and the Sole Global Coordinator in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Overall Coordinator and the Sole Global Coordinator in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement.

### THE INTERNATIONAL PLACING

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, among other parties, the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above. Under the International Underwriting Agreement, the International Underwriters will agree to procure subscribers to subscribe for or purchasers to purchase, or failing which they shall subscribe for or purchase the International Placing Shares being offered pursuant to the International Placing severally (and not jointly or jointly and severally).

It is expected that, pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement, as described in the paragraph headed “Undertakings pursuant to the Hong Kong Underwriting Agreement” in this section.

### COMMISSIONS AND EXPENSES

Under the terms and conditions of the Underwriting Agreements, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) will receive an underwriting commission, in Hong Kong dollars, at the rate of 3% of the aggregate final Offer Price in respect of all of the Offer Shares (including both the Hong Kong Offer Shares and the International Placing Shares (taking into account the maximum number of Shares that can be issued under the Over-allotment Option, regardless of whether such option is exercised in full, in part or at all)) (the “**Fixed Fees**”). In addition, our Company may, at our sole and absolute discretion, pay to the Sole Overall Coordinator (for itself and on behalf of the Underwriters) an incentive fee, in Hong Kong dollars, of up to 1% of the aggregate final Offer Price in respect of all of the Offer Shares (including both the Hong Kong Offer Shares and the International Placing Shares (taking into account the maximum number of Shares that can be issued under the Over-allotment Option, regardless of whether such option is exercised in full, in part or at all)) (the “**Discretionary Fees**”). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees

---

## UNDERWRITING

---

and Discretionary Fees payable is therefore 75:25. Moreover, according to the terms and conditions of the Underwriting Agreements, the Sole Overall Coordinator shall be entitled to receive not less than 20% of the total Discretionary Fees to be paid by our Company as the incentive fee for the Sole Overall Coordinator itself. The aggregate underwriting commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, the AFRC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, excluding the Discretionary Fees, is currently estimated to be approximately HK\$47.4 million in aggregate (based on an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share and HK\$0.60 per Offer Share and the assumption that none of the Over-allotment Option is exercised) and is paid or payable by our Company with reference to the number of Offer Shares under the Global Offering.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

### **INDEPENDENCE OF THE SOLE SPONSOR**

Zhongtai International Capital Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **RESTRICTIONS ON THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong.

Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Zhongtai International Capital Limited is the Sole Sponsor. Zhongtai International Securities Limited is the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- the Hong Kong Public Offering of 25,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Hong Kong Public Offering” in this section; and
- the International Placing of 225,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) in Hong Kong as described under the paragraph headed “The International Placing” in this section.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the paragraph headed “Pricing and allocation” in this section.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$0.60 per Hong Kong Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy, a 0.00015% AFRC transaction levy and a 0.005% Stock Exchange trading fee for one board lot of 5,000 Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.60 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

### Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Wednesday, December 7, 2022.

The Offer Price is expected to be fixed by agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, December 7, 2022. If, for any reason, the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the websites of our Company and the Stock Exchange at [bywheel.com](http://bywheel.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively.

**If, for any reason, our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by Friday, December 9, 2022, the Global Offering will not proceed and will lapse.**

### Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Overall Coordinator and the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Overall Coordinator and the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be published on Wednesday, December 14, 2022 on websites of our Company and the Stock Exchange at [bywheel.com](http://bywheel.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively.

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied through the **CCASS EIPO** service or through the **HK eIPO White Form** service, will be made available through a variety of channels as described in the paragraph headed “How to Apply for Hong Kong Offer Shares — 11. Publication of results” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional upon, among other things:

- the Listing Committee granting the approval of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including our Shares which may be made available pursuant to the Capitalization Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by our Company on the websites of our Company and the Stock Exchange at [bywheel.com](http://bywheel.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse.

**Share certificates for the Offer Shares are expected to be issued on Wednesday, December 14, 2022 but will only become valid evidence of title at 8:00 a.m. on Thursday, December 15, 2022, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.**

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares initially offered

Our Company is initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming that none of the Over-allotment Option is exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” in this section.

#### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) or less will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Hong Kong Offer Shares.

#### Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. If both the Hong Kong Offer Shares and the International Placing Shares are

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

undersubscribed, the Global Offering shall not proceed unless the Underwriters would subscribe or procure subscribers to subscribe for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions in this prospectus and the Underwriting Agreements.

If the International Placing Shares are fully subscribed or oversubscribed and if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to a maximum of 75,000,000 Shares, 100,000,000 Shares and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Overall Coordinator and the Sole Global Coordinator deems appropriate.

If the Hong Kong Offer Shares are not fully subscribed, and provided that the International Placing Shares are fully subscribed, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Placing in such amount as they deem appropriate to satisfy the demand under the International Placing. If (i) the International Placing Shares are fully subscribed or oversubscribed, and if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 100% or more, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the International Placing Shares are not fully subscribed, and if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 100% or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering irrespective of the number of times, the Sole Overall Coordinator and the Sole Global Coordinator may, at their discretion, reallocate the Offer Shares to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to a maximum of 50,000,000 Shares (which is not more than double the initial allocation to the Hong Kong Offer Shares under the Global Offering), representing 20% of the total number of Offer Shares initially available under the Global Offering. In the event of reallocation of the Offer Shares between the Hong Kong Public Offering and the International Placing in accordance with the circumstances as stated in (i) or (ii) above, the final Offer Price will be fixed at HK\$0.50, being the low-end of the indicative Offer Price range in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

### **Applications**

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Sole Global Coordinator may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator and the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application for Offer Shares under the Hong Kong Public Offering.

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### THE INTERNATIONAL PLACING

#### Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the International Placing will be 225,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Hong Kong Public Offering being unconditional.

#### Allocation

The International Underwriters are soliciting from prospective professional, institutional and other investors, indications of interest in subscribing for the International Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of International Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as "book building". In Hong Kong, retail investors should apply for the Hong Kong Offer Shares, as retail investors applying for the International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of International Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of International Placing Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company has granted the Over-allotment Option to the International Underwriters, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) and the Sole Global Coordinator under the International Underwriting Agreement.

The Sole Overall Coordinator (for itself or on behalf of the International Underwriters) and the Sole Global Coordinator can exercise the Over-allotment Option, which will be exercisable at any time from the Listing Date to the 30th day from the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the Offer Shares initially available under the Global Offering. These Shares will be allotted and issued at the Offer Price.

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

If the Over-allotment Option is exercised in full, the additional 37,500,000 Shares and the 250,000,000 Shares initially offered in the Global Offering will represent approximately 3.6% and 24.1% of our Company's enlarged share capital respectively immediately after completion of the Capitalization Issue, the Global Offering and the exercise in full of the Over-allotment Option.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at such prices, in such amounts and in such manner as the Stabilizing Manager may determine at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely, 37,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) (the "**Securities and Futures (Price Stabilizing) Rules**") includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of our Shares;

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

- no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. Such stabilization action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO.

All stabilizing actions will be taken in accordance with the laws, rules and regulation in place in Hong Kong on stabilization.

### STOCK BORROWING AGREEMENT

The Stabilizing Manager, or any person acting for it may choose to borrow 37,500,000 Shares from First Oriental, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with First Oriental will only be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from First Oriental under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to First Oriental or its nominees within three business day after the earlier of (i) the last day on which the Over-allotment Option may be exercised, and (ii) the date on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to First Oriental by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

### SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock

---

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

---

admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 15, 2022, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 15, 2022. Our Shares will be traded in board lots of 5,000 Shares. The stock code of our Shares will be 2457.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### IMPORTANT NOTICE TO INVESTORS:

#### FULLY ELECTRONIC APPLICATION PROCESS

**Our Company has adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.**

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [bywheel.com](http://bywheel.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. Our Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

### 1. HOW TO APPLY

**Our Company will not provide any printed application forms for use by the public.**

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Overall Coordinator and the Sole Global Coordinator and the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a Hong Kong address;
- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant); and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the items required for the application.

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares of our Company and/or any of our subsidiaries;

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares under the International Placing or otherwise participated in the International Placing.

### 3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) **undertake** to execute all relevant documents and instruct and authorize our Company, the Sole Overall Coordinator and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Act, the Companies (WUMP) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- (ix) (if the laws of any place outside Hong Kong apply to your application) **agree and warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant and undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instruction and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare and represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company, the Sole Overall Coordinator and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 5,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
5,000	3,030.23	70,000	42,423.29	500,000	303,023.55	7,000,000	4,242,329.70
10,000	6,060.47	80,000	48,483.77	600,000	363,628.26	8,000,000	4,848,376.80
15,000	9,090.70	90,000	54,544.24	700,000	424,232.97	9,000,000	5,454,423.90
20,000	12,120.94	100,000	60,604.71	800,000	484,837.68	10,000,000	6,060,471.00
25,000	15,151.18	150,000	90,907.07	900,000	545,442.39	12,500,000 <sup>(1)</sup>	7,575,588.75
30,000	18,181.42	200,000	121,209.42	1,000,000	606,047.10		
35,000	21,211.65	250,000	151,511.78	2,000,000	1,212,094.20		
40,000	24,241.89	300,000	181,814.13	3,000,000	1,818,141.30		
45,000	27,272.12	350,000	212,116.49	4,000,000	2,424,188.40		
50,000	30,302.36	400,000	242,418.84	5,000,000	3,030,235.50		
60,000	36,362.82	450,000	272,721.20	6,000,000	3,636,282.60		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### 5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

#### General

Applicants who meet the criteria in the paragraph headed “2. Who can apply” in this section above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, November 29, 2022 until 11:30 a.m. on Wednesday, December 7, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, December 7, 2022, the last day for applications, or such later time as described in the paragraph

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

headed “10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the application lists” in this section.

### No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## 6. APPLYING THROUGH THE CCASS EIPO SERVICE

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
**Customer Service Center**  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Overall Coordinator, the Sole Global Coordinator and our Hong Kong Share Registrar.

### Applying through the CCASS EIPO service

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - **confirm** that you understand that our Company, our Directors, the Sole Overall Coordinator and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - **authorize** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Overall Coordinator, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

CCASS Participant giving electronic application instructions) to observe and comply with the Companies Act, the Companies (WUMP) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, November 29, 2022 - 9:00 a.m. to 8:30 p.m.  
Wednesday, November 30, 2022 - 8:00 a.m. to 8:30 p.m.  
Thursday, December 1, 2022 - 8:00 a.m. to 8:30 p.m.  
Friday, December 2, 2022 - 8:00 a.m. to 8:30 p.m.  
Monday, December 5, 2022 - 8:00 a.m. to 8:30 p.m.  
Tuesday, December 6, 2022 - 8:00 a.m. to 8:30 p.m.  
Wednesday, December 7, 2022 - 8:00 a.m. to 12:00 noon

The application for the Hong Kong Offer Shares will commence on Tuesday, November 29, 2022 up to Wednesday, December 7, 2022, being longer than normal market practice of four days.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, November 29, 2022 until 12:00 noon on Wednesday, December 7, 2022 (24 hours daily, except on Wednesday, December 7, 2022, the last application day).

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, December 7, 2022, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the application lists” in this section.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (WUMP) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (WUMP) Ordinance).

### **Personal Data**

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Overall Coordinator, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

#### *Personal Information Collection Statement*

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### *Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or our agents and the Hong Kong Share Registrar when applying for the

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

### *Transfer of personal data*

Personal data held by the Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

Our Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this Prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by the **CCASS eIPO** service (directly or indirectly through your broker or custodian) to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, December 7, 2022 or such later time as described in the paragraph headed "10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the applications lists" in this section of the prospectus.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple / Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the section headed “— 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

For more details of the Offer Price, please refer to “Structure and Conditions of the Global Offering — Pricing and Allocation — Offer Price” in this prospectus.

### 10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND THE CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 7, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, December 7, 2022 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, December 14, 2022 on our Company's website at [bywheel.com](http://bywheel.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [bywheel.com](http://bywheel.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Wednesday, December 14, 2022;
- from "IPO Results" function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, December 14, 2022 to 12:00 midnight on Tuesday, December 20, 2022;
- from the allocation results telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, December 14, 2022 to Monday, December 19, 2022 on a Business Day;

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 (as applied by Section 342E) of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Sole Overall Coordinator, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Overall Coordinator or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.60 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on Wednesday, December 14, 2022.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS eIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application.

Part of the identification document number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your identification document number before encashment of your refund cheque(s). Inaccurate completion of your identification document number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, December 14, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 15, 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

*(i) If you apply through the HK eIPO White Form service:*

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 14, 2022, or any other place or date notified by our Company as the place or date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, December 14, 2022 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post and at your own risk.

(ii) *If you apply through the CCASS EIPO service*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 14, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed “11. Publication of results” in this section on Wednesday, December 14, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 14, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, December 14, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 14, 2022.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-70, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BUYANG INTERNATIONAL HOLDING INC AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

### *Introduction*

We report on the historical financial information of Buyang International Holding Inc (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 November 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### *Directors' responsibility for Historical Financial Information*

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### *Reporting accountants' responsibility*

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

***Opinion***

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 25(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*No historical financial statements for the Company*

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

*Certified Public Accountants,*

8th Floor, Prince's Building,

10 Chater Road

Central, Hong Kong

29 November 2022

**HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

## Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
<b>Revenue</b>	4	374,041	362,153	440,356	159,502	149,807
Cost of sales		(300,314)	(284,570)	(363,187)	(132,450)	(122,328)
<b>Gross profit</b>		73,727	77,583	77,169	27,052	27,479
Other revenue	5(a)	2,106	2,565	937	123	98
Other net gain/(loss)	5(b)	4,021	(4,487)	(2,554)	(2,435)	3,160
Selling and distribution expenses		(9,565)	(8,257)	(10,208)	(4,223)	(2,967)
Administrative and other operating expenses		(7,666)	(22,223)	(15,549)	(7,257)	(5,873)
<b>Profit from operations</b>		62,623	45,181	49,795	13,260	21,897
Finance income		681	2,071	2,097	1,191	620
Finance costs		(2,591)	(1,512)	(1,569)	(992)	(664)
<b>Net finance (costs)/income</b>	6(a)	<b>(1,910)</b>	<b>559</b>	<b>528</b>	<b>199</b>	<b>(44)</b>
<b>Profit before taxation</b>	6	<b>60,713</b>	<b>45,740</b>	<b>50,323</b>	<b>13,459</b>	<b>21,853</b>
Income tax	7	(14,617)	(11,034)	(12,660)	(3,420)	(5,471)
<b>Profit for the year/period</b>		<b>46,096</b>	<b>34,706</b>	<b>37,663</b>	<b>10,039</b>	<b>16,382</b>
<b>Other comprehensive income for the year/ period (after tax and reclassification adjustments)</b>						
<i>Items that will not be reclassified to profit or loss:</i>						
Exchange difference on translation of financial statements of the Company		—	(8,527)	(2,767)	(2,440)	3,570
<i>Item that may be reclassified subsequently to profit or loss:</i>						
Exchange difference on translation of financial statements of entities outside mainland China		(2,325)	6,311	2,789	2,459	(3,602)
<b>Other comprehensive income for the year/ period</b>		<b>(2,325)</b>	<b>(2,216)</b>	<b>22</b>	<b>19</b>	<b>(32)</b>
<b>Total comprehensive income for the year/ period</b>		<b>43,771</b>	<b>32,490</b>	<b>37,685</b>	<b>10,058</b>	<b>16,350</b>
<b>Earnings per share</b>	10					
Basic and diluted (RMB)		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

## Consolidated statements of financial position

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	11	53,657	66,904	60,550	56,749
Right-of-use assets	12(a)	7,733	7,218	17,408	17,103
Intangible assets	13	104	382	268	221
Deferred tax assets	24(b)	1,051	623	901	1,502
Prepayments		41	855	13	228
		<u>62,586</u>	<u>75,982</u>	<u>79,140</u>	<u>75,803</u>
<b>Current assets</b>					
Inventories	15	61,798	67,268	77,927	67,976
Trade and other receivables	16	47,580	76,334	91,003	89,809
Pledged deposits	17	23,854	24,496	27,986	16,697
Cash and cash equivalents	18(a)	52,271	95,753	72,206	99,980
		<u>185,503</u>	<u>263,851</u>	<u>269,122</u>	<u>274,462</u>
<b>Current liabilities</b>					
Bank loans	19	—	50,059	30,035	30,231
Trade and other payables	20	192,021	97,208	90,105	74,329
Contract liabilities	21	3,756	6,833	3,791	3,640
Lease liabilities	12(b)	372	395	419	429
Financial liabilities at fair value through profit or loss	22	643	—	—	—
Current taxation	24(a)	4,016	320	1,673	2,099
		<u>200,808</u>	<u>154,815</u>	<u>126,023</u>	<u>110,728</u>
<b>Net current (liabilities)/assets</b>		<u>(15,305)</u>	<u>109,036</u>	<u>143,099</u>	<u>163,734</u>
<b>Total assets less current liabilities</b>		<u>47,281</u>	<u>185,018</u>	<u>222,239</u>	<u>239,537</u>
<b>Non-current liabilities</b>					
Lease liabilities	12(b)	8,379	7,984	7,565	6,878
Deferred income	23	366	299	254	1,889
		<u>8,745</u>	<u>8,283</u>	<u>7,819</u>	<u>8,767</u>
<b>NET ASSETS</b>		<u>38,536</u>	<u>176,735</u>	<u>214,420</u>	<u>230,770</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	25(b)	347	1,057	1,057	1,057
Reserves	25(d)	38,189	175,678	213,363	229,713
<b>TOTAL EQUITY</b>		<u>38,536</u>	<u>176,735</u>	<u>214,420</u>	<u>230,770</u>

The accompanying notes form part of the Historical Financial Information.

## Statements of financial position of the Company

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current asset</b>					
Interest in a subsidiary	14	9	98,013	95,214	98,830
		9	98,013	95,214	98,830
<b>Current assets</b>					
Trade and other receivables	16	351	280	191	198
Cash and cash equivalents	18(a)	1	59	*	17
		352	339	191	215
<b>Current liability</b>					
Trade and other payables	20	12	1,366	1,408	1,490
		12	1,366	1,408	1,490
<b>Net current assets/(liabilities)</b>		<b>340</b>	<b>(1,027)</b>	<b>(1,217)</b>	<b>(1,275)</b>
<b>Total assets less current liabilities</b>		<b>349</b>	<b>96,986</b>	<b>93,997</b>	<b>97,555</b>
<b>NET ASSETS</b>		<b>349</b>	<b>96,986</b>	<b>93,997</b>	<b>97,555</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	25(b)	347	1,057	1,057	1,057
Reserves	25(d)	2	95,929	92,940	96,498
<b>TOTAL EQUITY</b>		<b>349</b>	<b>96,986</b>	<b>93,997</b>	<b>97,555</b>

\* Amount less than RMB1,000

The accompanying notes form part of the Historical Financial Information.

## Consolidated statements of changes in equity

Attributable to equity shareholders of the Company							
	Share capital	Share Premium	Capital reserve	PRC statutory reserve	Exchange reserve	Retained profits	Total (deficit)/ equity
Note	RMB'000 (Note 25(b))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000 (Note 25(d)(iv))	RMB'000	RMB'000
<b>Balance at 1 January 2019</b>	347	—	(45,000)	9,707	(4)	29,715	(5,235)
<b>Changes in equity for 2019:</b>							
Profit for the year	—	—	—	—	—	46,096	46,096
Other comprehensive income for the year	—	—	—	—	(2,325)	—	(2,325)
Total comprehensive income	—	—	—	—	(2,325)	46,096	43,771
Appropriation of statutory reserve	—	—	—	4,377	—	(4,377)	—
<b>Balance at 31 December 2019 and 1 January 2020</b>	347	—	(45,000)	14,084	(2,329)	71,434	38,536
<b>Changes in equity for 2020:</b>							
Profit for the year	—	—	—	—	—	34,706	34,706
Other comprehensive income for the year	—	—	—	—	(2,216)	—	(2,216)
Total comprehensive income	—	—	—	—	(2,216)	34,706	32,490
Issue of shares	710	104,999	—	—	—	—	105,709
Appropriation of statutory reserve	—	—	—	3,016	—	(3,016)	—
<b>Balance at 31 December 2020 and 1 January 2021</b>	1,057	104,999	(45,000)	17,100	(4,545)	103,124	176,735

## Attributable to equity shareholders of the Company

Note	Share capital RMB'000 (Note 25(b))	Share Premium RMB'000 (Note 25(d)(i))	Capital reserve RMB'000 (Note 25(d)(ii))	PRC statutory reserve RMB'000 (Note 25(d)(iii))	Exchange reserve RMB'000 (Note 25(d)(iv))	Retained profits RMB'000	Total equity RMB'000
	1,057	104,999	(45,000)	17,100	(4,545)	103,124	176,735
<b>Balance at 1 January 2021</b>							
<b>Changes in equity for 2021:</b>							
Profit for the year	—	—	—	—	—	37,663	37,663
Other comprehensive income for the year	—	—	—	—	22	—	22
Total comprehensive income	—	—	—	—	22	37,663	37,685
Appropriation of statutory reserve	—	—	—	3,314	—	(3,314)	—
	1,057	104,999	(45,000)	20,414	(4,523)	137,473	214,420
<b>Balance at 31 December 2021 and 1 January 2022</b>							
<b>Changes in equity for the five months ended 31 May 2022:</b>							
Profit for the period	—	—	—	—	—	16,382	16,382
Other comprehensive income for the period	—	—	—	—	(32)	—	(32)
Total comprehensive income	—	—	—	—	(32)	16,382	16,350
<b>Balance at 31 May 2022</b>	1,057	104,999	(45,000)	20,414	(4,555)	153,855	230,770

## Attributable to equity shareholders of the Company

Note	Share capital	Share Premium	Capital reserve	PRC statutory reserve	Exchange reserve	Retained profits	Total equity
	RMB'000 (Note 25(b))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000 (Note 25(d)(iv))	RMB'000	RMB'000
<b>Balance at 31 December 2020 and 1 January 2021</b>	1,057	104,999	(45,000)	17,100	(4,545)	103,124	176,735
<b>Changes in equity for five months ended 31 May 2021:</b>							
Profit for the period	—	—	—	—	—	10,039	10,039
Other comprehensive income for the period	—	—	—	—	19	—	19
Total comprehensive income	—	—	—	—	19	10,039	10,058
<b>Balance at 31 May 2021</b>	<b>1,057</b>	<b>104,999</b>	<b>(45,000)</b>	<b>17,100</b>	<b>(4,526)</b>	<b>113,163</b>	<b>186,793</b>

(Unaudited)

**Balance at 31 December 2020 and****1 January 2021****Changes in equity for five months ended****31 May 2021:**

Profit for the period

Other comprehensive income for the period

Total comprehensive income

**Balance at 31 May 2021**

The accompanying notes form part of the Historical Financial Information.

## Consolidated statements of cash flows

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
<b>Operating activities</b>						
Cash generated from operations	18(b)	104,833	46,948	37,796	22,121	37,690
PRC corporate income tax paid		(18,641)	(14,302)	(11,585)	(5,339)	(5,646)
<b>Net cash generated from operating activities</b>		<b>86,192</b>	<b>32,646</b>	<b>26,211</b>	<b>16,782</b>	<b>32,044</b>
<b>Investing activities</b>						
Payment for purchase of property, plant and equipment and intangible assets		(13,645)	(24,932)	(17,243)	(8,109)	(3,717)
Payment for purchase of land use rights		—	—	(10,406)	—	(317)
Proceeds from disposal of property, plant and equipment		67	481	462	444	—
Net payment for settlement of derivative financial instruments		(3,397)	(263)	—	—	—
Net release of pledged deposits for derivative financial instruments		4,658	1,057	—	—	—
Interest received		681	2,071	2,097	1,191	620
<b>Net cash used in investing activities</b>		<b>(11,636)</b>	<b>(21,586)</b>	<b>(25,090)</b>	<b>(6,474)</b>	<b>(3,414)</b>
<b>Financing activities</b>						
Proceeds from bank loans	18(c)	63,165	50,000	30,000	—	—
Repayment of bank loans	18(c)	(127,347)	—	(50,000)	—	—
Proceeds from related parties	18(c)	171,050	2,375	—	—	—
Repayment to related parties	18(c)	(189,598)	(14,168)	—	—	—
Proceeds from issue of shares		—	105,709	—	—	—
Deemed distribution arising from the reorganisation	18(c),25d(ii)	(1,050)	(103,950)	—	—	—
Interest paid	18(c)	(2,087)	(968)	(1,131)	(482)	(288)
Payment for listing expenses	18(c)	(819)	(3,503)	(1,291)	(655)	(651)
Capital element of lease rentals paid	18(c)	(350)	(372)	(395)	(395)	(419)
Interest element of lease rentals paid	18(c)	(507)	(485)	(462)	(462)	(438)
<b>Net cash (used in)/generated from financing activities</b>		<b>(87,543)</b>	<b>34,638</b>	<b>(23,279)</b>	<b>(1,994)</b>	<b>(1,796)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(12,987)</b>	<b>45,698</b>	<b>(22,158)</b>	<b>8,314</b>	<b>26,834</b>
<b>Cash and cash equivalents at the beginning of the year/period</b>		<b>67,583</b>	<b>52,271</b>	<b>95,753</b>	<b>95,753</b>	<b>72,206</b>
<b>Effect of foreign exchange rate changes</b>		<b>(2,325)</b>	<b>(2,216)</b>	<b>(1,389)</b>	<b>(1,129)</b>	<b>940</b>
<b>Cash and cash equivalents at the end of the year/period</b>	18(a)	<b>52,271</b>	<b>95,753</b>	<b>72,206</b>	<b>102,938</b>	<b>99,980</b>

The accompanying notes form part of the Historical Financial Information.

## Notes to the historical financial information

## 1 Basis of preparation and presentation of Historical Financial Information

Buyang International Holding Inc (the “Company”) was incorporated in Cayman Islands on 14 November 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus. The Company and its subsidiaries (together, “the Group”) are principally engaged in the sales and production of a broad range of aluminum alloy wheels for automobiles.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities and legal status	Name of statutory auditor
			Held by the Company	Held by the subsidiary		
Buyang (Hong Kong) Limited (Note (a))	Hong Kong 26 November 2018	HKD10,000/ HKD10,000	100%	—	Investment holding, limited liability company	Credential Certified Public Accountant (Practising) for the period from 26 November 2018 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020
Zhejiang Buyang Auto Wheel Co., Ltd. (“Buyang Wheel”) 浙江步陽汽輪有限公司 (Notes (b) and (c))	The PRC 3 September 2007	RMB60,000,000 /RMB60,000,000	—	100%	Manufacturing and sales of wheels, limited liability company	Not applicable

Notes:

- (a) As at the date of this report, statutory audit of the company for the year ended 31 December 2021 has not been completed.
- (b) As at the date of this report, no statutory financial statements have been prepared for the company for the Relevant Periods.
- (c) The official name of this company is in Chinese. The English translation of the company name is for identification purpose only.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, including HKFRS 16, *Leases*, consistently throughout the Relevant Periods. The Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2022 and not adopted in the Historical Financial Information are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

## 2 Significant accounting policies

### (a) *Basis of measurement*

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for derivative financial instruments (see Note 2(d)) which are stated at their fair value.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency").

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, except when otherwise indicated, which is the functional currency of the Group's subsidiaries established in the mainland China. The functional currency of the Company and the Company's subsidiaries outside mainland China are Hong Kong Dollars ("HKD"). The Group translates the financial statements of the Company and the Company's subsidiaries outside the mainland China from HKD into RMB.

### (b) *Use of estimates and judgements*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

**(c) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(d) Derivative financial instruments**

Derivative financial instruments are recognised at fair value. At the end of each Relevant Periods the fair value is remeasured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

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

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

	<u>Estimated useful life</u>
Machinery equipment	3 – 10 years
Electronic and other equipment	5 years
Motor vehicles	5 years
Moulds	3 years

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

Construction in progress represents properties under construction and machinery equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(h)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

**(f) Intangible assets (other than goodwill)**

Intangible assets that are acquired by the Group are stated at cost (the acquisition date fair value) less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	<u>Estimated useful life</u>
Software	3 years
Emission Permits	5 years

Both the period and method of amortisation are reviewed annually.

**(g) Lease assets**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

**As a lessee**

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group

enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use assets recognised when a lease is capitalised are initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(e) and 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and presents lease liabilities separately in the consolidated statements of financial position.

**(h) Credit losses and impairment of assets**

**(i) Credit losses from financial instruments**

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);
- financial assets measured at FVOCI (recycling);

Other financial assets measured at fair value, including equity instruments designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

**Measurement of ECLs**

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

#### Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

#### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not

have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each Relevant Periods to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

**(i) Inventories**

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**(j) Contract liabilities**

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(r)(iii)).

**(k) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(h)(i)).

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash

and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i).

**(m) *Interest-bearing borrowings***

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

**(n) *Trade and other payables***

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

**(o) *Employee benefits***

Short-term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(p) *Income tax***

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse

either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each Relevant Periods. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each Relevant Periods and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(q) Provisions and contingent liabilities**

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable

estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

**(r) Revenue and other income**

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

**(i) Sale of goods**

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

**(ii) Dividends**

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

**(iii) Interest income**

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

**(iv) Government grants**

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as other revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants related to assets are initially recognised as deferred income and then recognised in profit or loss as other revenue on a systematic basis over the useful life of the asset.

(s) ***Translation of foreign currencies***

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each Relevant Periods. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the Relevant Periods. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) ***Borrowing costs***

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) ***Related parties***

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third-party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**3 Significant accounting judgements and estimates**

**Key sources of estimation uncertainty**

Note 26(e) contains information about the assumptions and their risk factors relating to fair value of other equity investments and derivative financial instruments. Other key sources of estimation uncertainty are as follows:

(i) ***Impairments of non-financial assets***

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are

reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

**(ii) *Net realisable value of inventories***

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

**(iii) *Impairment of trade and other receivables***

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

**(iv) *Depreciation and amortisation***

Items of property, plant and equipment other than freehold land and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any Relevant Periods. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods are adjusted if there are significant changes from previous estimates.

#### 4 Revenue and segment reporting

##### (a) Revenue

The Group is principally engaged in the sales and production of a broad range of aluminum alloy wheels for automobiles. The Group's revenue from contracts with customers were recognised at point in time for the Relevant Periods.

##### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of aluminum alloy wheels	363,456	354,209	429,458	156,252	146,617
Sales of others	10,585	7,944	10,898	3,250	3,190
	<u>374,041</u>	<u>362,153</u>	<u>440,356</u>	<u>159,502</u>	<u>149,807</u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(i).

##### (ii) During the Relevant Periods, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods are set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	38,070	*	*	*	*
Customer B	*	39,479	*	*	*
Customer C	*	*	46,708	21,283	*
Customer D	*	*	*	*	15,348

\* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

Note: Customer B and C include a group of entities that are under the common control of the same ultimate shareholder.

Details of concentrations of credit risk arising from these customers are set out in Note 26(a).

- (iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For sales contracts of goods with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations.

(b) *Segment reporting*

The Group manages its businesses by divisions, which are organised by geography. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no segment information is presented.

**Geographical information**

- (i) Revenue from external customers by continent of delivery

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Asia	206,739	171,252	206,921	73,459	84,981
Europe	68,260	56,303	76,710	33,525	21,151
America	82,906	115,786	145,643	47,252	40,606
Africa	15,920	16,271	8,926	4,396	2,184
Oceania	216	2,541	2,156	870	885
	<u>374,041</u>	<u>362,153</u>	<u>440,356</u>	<u>159,502</u>	<u>149,807</u>

- (ii) Non-current asset

The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is provided.

## 5 Other revenue and other net gain/(loss)

## (a) Other revenue

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	2,106	2,508	937	123	98
Others	—	57	—	—	—
	<u>2,106</u>	<u>2,565</u>	<u>937</u>	<u>123</u>	<u>98</u>

## (b) Other net gain/(loss)

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

**6 Profit before taxation**

Profit before taxation is arrived at after (crediting)/charging:

**(a) Net finance costs/(income)**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income on bank deposits	(681)	(2,071)	(2,097)	(1,191)	(620)
Interest on bank loans	2,084	1,027	1,107	803	484
Interest on lease liabilities (Note 12(b))	507	485	462	189	180
Net finance costs/(income)	<u>1,910</u>	<u>(559)</u>	<u>(528)</u>	<u>(199)</u>	<u>44</u>

**(b) Staff costs**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits	46,709	44,117	50,426	19,497	16,230
Contributions to defined contribution scheme (Note)	2,001	102	1,963	748	631
	<u>48,710</u>	<u>44,219</u>	<u>52,389</u>	<u>20,245</u>	<u>16,861</u>

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB2,142,000 to social insurance during the year ended 31 December 2020 (the years ended 31 December 2019, 2021 and the five months ended 31 May 2021 (unaudited) and 2022: nil, nil, nil (unaudited), nil).

(c) *Other items*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of inventories* (Note 15(b))	300,314	284,570	363,187	132,450	122,328
Depreciation					
— Property, plant and equipment	11,643	13,164	15,164	5,902	6,469
— Right-of-use assets	509	507	506	194	307
Amortisation of intangible assets (Note 13)	414	150	114	47	47
(Reversal of impairment)/impairment loss on trade and other receivables (Note 26(a))	(2,597)	539	771	961	998
Listing expenses	4,216	14,415	6,757	2,951	1,533

\* Cost of inventories include RMB55,276,000, RMB51,554,000, RMB60,134,000, RMB23,142,000 (unaudited) and RMB20,292,000 relating to staff costs and depreciation expenses for each of the years ended 31 December 2019, 2020 and 2021 and for the five months ended 31 May 2021 (unaudited) and 2022 respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 **Income tax**(a) *Income tax in the consolidated statements of profit or loss and other comprehensive income represents*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Current tax</b>					
PRC corporate income tax (Note 24(a))	12,466	10,606	12,938	3,716	6,072
<b>Deferred tax</b>					
Origination and reversal of temporary differences (Note 24(b)(i))	2,151	428	(278)	(296)	(601)
	<u>14,617</u>	<u>11,034</u>	<u>12,660</u>	<u>3,420</u>	<u>5,471</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The applicable profits tax rate of the Group's subsidiary incorporated in Hong Kong was 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD 2 million in assessable profits earned by a company will be

taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) The Group's PRC subsidiary is subject to PRC income tax at 25%.

(b) *Reconciliation between tax expense and profit before taxation at applicable tax rates:*

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

8 **Directors' remuneration**

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) as follows:

	Year ended 31 December 2019				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>					
Xu Jingjun	—	—	—	—	—
Ying Yonghui	—	42	300	5	347
Hu Huijuan	—	39	118	5	162
<b>Non-executive directors</b>					
Xu Buyun	—	—	—	—	—
Total	—	81	418	10	509

## Year ended 31 December 2020

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>					
Xu Jingjun	—	—	—	—	—
Ying Yonghui	—	51	310	*	361
Hu Huijuan	—	56	212	*	268
<b>Non-executive directors</b>					
Zhu Ning	—	53	100	*	153
Xu Buyun	—	—	—	—	—
<b>Independent non-executive directors</b>					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	160	622	*	782

## Year ended 31 December 2021

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>					
Xu Jingjun	—	107	210	5	322
Ying Yonghui	—	61	320	7	388
Hu Huijuan	—	61	276	7	344
<b>Non-executive directors</b>					
Zhu Ning	—	55	100	7	162
Xu Buyun	—	—	—	—	—
<b>Independent non-executive directors</b>					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	284	906	26	1,216

Five months ended 31 May 2021 (unaudited)					
Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>					
Xu Jingjun	—	32	63	1	96
Ying Yonghui	—	24	133	3	160
Hu Huijuan	—	25	115	3	143
<b>Non-executive directors</b>					
Zhu Ning	—	22	42	3	67
Xu Buyun	—	—	—	—	—
<b>Independent non-executive directors</b>					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	103	353	10	466

Five months ended 31 May 2022					
Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>					
Xu Jingjun	—	49	105	3	157
Ying Yonghui	—	24	133	3	160
Hu Huijuan	—	23	115	3	141
<b>Non-executive directors</b>					
Zhu Ning	—	22	42	3	67
Xu Buyun	—	—	—	—	—
<b>Independent non-executive directors</b>					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	118	395	12	525

\* Amount less than RMB1,000

*Notes:*

- (i) On 14 November 2018 and 25 September 2020, Mr. Xu Buyun and Mr. Zhu Ning were appointed as non-executive directors of the Company, respectively.
- (ii) On 25 September 2020, Ms. Xu Jingjun, Mr. Ying Yonghui and Ms. Hu Huijuan were appointed as executive directors of the Company.
- (iii) On 28 October 2020, Mr. Yeung Man Simon, Mr. Chen Jingeng and Mr. Fu Yi were appointed as independent non-executive directors of the Company.
- (iv) The emolument for Xu Jingjun before 28 February 2021 was borne by Buyang Group Co., Ltd. ("Buyang PRC"), a related party of the Group, who has waived its right to seek reimbursement from the Group.

**9 Individuals with the highest emoluments**

Of the five individuals with the highest emoluments, one, two, three, three and three directors during the years ended 31 December 2019, 2020 and 2021 and for the five months ended 31 May 2021 (unaudited) and 2022, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest individuals of the Group are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	199	181	110	45	43
Discretionary bonuses	644	447	384	160	160
Retirement scheme contributions	19	1	7	3	3
	<u>862</u>	<u>629</u>	<u>501</u>	<u>208</u>	<u>206</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK\$ nil to HK\$1,000,000	4	3	2	2	2

**10 Earnings per share**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the number of ordinary shares as at each reporting date during the Relevant Periods will be significantly different from the number of ordinary shares immediately after the completion of the public listing of the Group.

## 11 Property, plant and equipment

	<u>Machinery equipment</u>	<u>Moulds</u>	<u>Electronic and other equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>						
At 1 January 2019	101,820	36,796	2,417	1,270	2,064	144,367
Additions	—	—	—	—	13,080	13,080
Transfers from construction in progress	4,865	8,166	—	—	(13,031)	—
Disposals	(3,810)	(1,097)	(451)	(465)	—	(5,823)
At 31 December 2019 and 1 January 2020	102,875	43,865	1,966	805	2,113	151,624
Additions	—	—	15	6	27,517	27,538
Transfers from construction in progress	18,228	8,958	—	—	(27,186)	—
Disposals	(337)	(487)	—	—	—	(824)
At 31 December 2020 and 1 January 2021	120,766	52,336	1,981	811	2,444	178,338
Additions	—	—	7	—	10,472	10,479
Transfers from construction in progress	3,903	7,717	—	—	(11,620)	—
Disposals	(6,415)	—	—	—	—	(6,415)
At 31 December 2021 and 1 January 2022	118,254	60,053	1,988	811	1,296	182,402
Additions	—	—	—	—	2,696	2,696
Transfers from construction in progress	64	2,178	—	—	(2,242)	—
Disposals	(10)	—	—	—	—	(10)
At 31 May 2022	<u>118,308</u>	<u>62,231</u>	<u>1,988</u>	<u>811</u>	<u>1,750</u>	<u>185,088</u>
<b>Accumulated depreciation:</b>						
At 1 January 2019	(59,768)	(27,164)	(2,204)	(1,051)	—	(90,187)
Charge for the year	(7,215)	(4,743)	(21)	(45)	—	(12,024)
Written back on disposals	2,344	1,035	423	442	—	4,244
At 31 December 2019 and 1 January 2020	(64,639)	(30,872)	(1,802)	(654)	—	(97,967)
Charge for the year	(7,446)	(6,125)	(15)	(37)	—	(13,623)
Written back on disposals	144	12	—	—	—	156

	<b>Machinery equipment</b>	<b>Moulds</b>	<b>Electronic and other equipment</b>	<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 31 December 2020 and 1 January 2021	(71,941)	(36,985)	(1,817)	(691)	—	(111,434)
Charge for the year	(8,177)	(8,020)	(17)	(31)	—	(16,245)
Written back on disposals	<u>5,827</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,827</u>
At 31 December 2021 and 1 January 2022	(74,291)	(45,005)	(1,834)	(722)	—	(121,852)
Charge for the period	(3,415)	(3,061)	(7)	(13)	—	(6,496)
Written back on disposals	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9</u>
At 31 May 2022	<u>(77,697)</u>	<u>(48,066)</u>	<u>(1,841)</u>	<u>(735)</u>	<u>—</u>	<u>(128,339)</u>
<b>Net book value:</b>						
At 31 December 2019	<u>38,236</u>	<u>12,993</u>	<u>164</u>	<u>151</u>	<u>2,113</u>	<u>53,657</u>
At 31 December 2020	<u>48,825</u>	<u>15,351</u>	<u>164</u>	<u>120</u>	<u>2,444</u>	<u>66,904</u>
At 31 December 2021	<u>43,963</u>	<u>15,048</u>	<u>154</u>	<u>89</u>	<u>1,296</u>	<u>60,550</u>
At 31 May 2022	<u>40,611</u>	<u>14,165</u>	<u>147</u>	<u>76</u>	<u>1,750</u>	<u>56,749</u>

## 12 Right of use assets and lease liabilities

## (a) Right-of-use assets

	<u>Property &amp; leased land</u>	<u>Land use rights</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020 and 1 January 2021	10,310	—	10,310
Additions	<u>—</u>	<u>10,723</u>	<u>10,723</u>
At 31 December 2021, 1 January 2022 and 31 May 2022	<u>10,310</u>	<u>10,723</u>	<u>21,033</u>
<b>Accumulated amortisation:</b>			
At 1 January 2019	(2,062)	—	(2,062)
Charge for the year	<u>(515)</u>	<u>—</u>	<u>(515)</u>
At 31 December 2019 and 1 January 2020	(2,577)	—	(2,577)
Charge for the year	<u>(515)</u>	<u>—</u>	<u>(515)</u>
At 31 December 2020 and 1 January 2021	(3,092)	—	(3,092)
Charge for the year	<u>(515)</u>	<u>(18)</u>	<u>(533)</u>
At 31 December 2021 and 1 January 2022	(3,607)	(18)	(3,625)
Charge for the period	(215)	(90)	(305)
At 31 May 2022	<u>(3,822)</u>	<u>(108)</u>	<u>(3,930)</u>
<b>Net book value:</b>			
At 31 December 2019	<u>7,733</u>	<u>—</u>	<u>7,733</u>
At 31 December 2020	<u>7,218</u>	<u>—</u>	<u>7,218</u>
At 31 December 2021	<u>6,703</u>	<u>10,705</u>	<u>17,408</u>
At 31 May 2022	<u>6,488</u>	<u>10,615</u>	<u>17,103</u>

The Group has obtained the right to use the leasehold land and premises as its office and business operation through tenancy agreements. The leases typically run for an initial period of 20 years.

The Group acquired land use rights in Zhejiang province in 2021 and the land use rights is depreciated over 50 years from the commencement of the lease period.



## 13 Intangible assets

	<u>Software</u>	<u>Emission Permits</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Cost:</b>			
At 1 January 2019, 31 December 2019 and 1 January 2020	1,242	—	1,242
Additions	<u>165</u>	<u>263</u>	<u>428</u>
At 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 May 2022	<u>1,407</u>	<u>263</u>	<u>1,670</u>
<b>Accumulated amortisation:</b>			
At 1 January 2019	(724)	—	(724)
Charge for the year	<u>(414)</u>	<u>—</u>	<u>(414)</u>
At 31 December 2019 and 1 January 2020	(1,138)	—	(1,138)
Charge for the year	<u>(121)</u>	<u>(29)</u>	<u>(150)</u>
At 31 December 2020 and 1 January 2021	(1,259)	(29)	(1,288)
Charge for the year	<u>(55)</u>	<u>(59)</u>	<u>(114)</u>
At 31 December 2021 and 1 January 2022	(1,314)	(88)	(1,402)
Charge for the period	(23)	(24)	(47)
At 31 May 2022	<u>(1,337)</u>	<u>(112)</u>	<u>(1,449)</u>
<b>Net book value:</b>			
At 31 December 2019	<u>104</u>	<u>—</u>	<u>104</u>
At 31 December 2020	<u>148</u>	<u>234</u>	<u>382</u>
At 31 December 2021	<u>93</u>	<u>175</u>	<u>268</u>
At 31 May 2022	<u>70</u>	<u>151</u>	<u>221</u>

The amortisation charge during the Relevant Periods is included in “Administrative and other operating expenses” in the consolidated statements of profit or loss and other comprehensive income.

## 14 Interest in a subsidiary

## The Company

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted share, at cost	9	9	9	9
Amount due from a subsidiary	—	98,004	95,205	98,821
	<u>9</u>	<u>98,013</u>	<u>95,214</u>	<u>98,830</u>

Please refer to Note 2(c) for the particulars of subsidiaries during the Relevant Periods.

The amount due from a subsidiary above represents the advances the Company offered to its wholly owned subsidiary Buyang (Hong Kong) Limited as at 31 December 2020, 31 December 2021 and 31 May 2022. The amount is unsecured, interest-free and has no fixed term of repayment.

## 15 Inventories

(a) *Inventories in the consolidated statements of financial position comprise:*

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

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	300,289	284,781	362,921	132,254	122,236
Write-down/(reversal of write-down) of inventories	25	(211)	266	196	92
	<u>300,314</u>	<u>284,570</u>	<u>363,187</u>	<u>132,450</u>	<u>122,328</u>

## 16 Trade and other receivables

### The Group

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables					
— Third parties		44,453	64,421	78,092	82,515
Bills receivable		710	1,582	597	577
Less: Loss allowance for trade and bills receivables	26(a)	(72)	(611)	(1,025)	(2,023)
<b>Financial assets measured at amortised cost</b>		45,091	65,392	77,664	81,069
Value-added tax recoverable and others		633	2,879	16	15
Prepayment		1,856	8,063	13,323	8,725
		<u>47,580</u>	<u>76,334</u>	<u>91,003</u>	<u>89,809</u>

### The Company

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayment	<u>351</u>	<u>280</u>	<u>191</u>	<u>198</u>

*Ageing analysis of trade and bills receivables*

As at the end of each Relevant Periods, the ageing analysis of trade and bills receivables based on the date of revenue recognition and net of loss allowance is as follows:

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

Further details on the Group's credit risk management policy and credit risk arising from trade and other receivables are set out in Note 26(a).

**17 Pledged deposits**

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Guarantee deposits for issuance of bank acceptance notes	22,797	24,496	27,986	16,697
Guarantee deposits for derivative financial instruments	1,057	—	—	—
	<u>23,854</u>	<u>24,496</u>	<u>27,986</u>	<u>16,697</u>

The pledged deposits will be released upon the settlement of the relevant bank acceptance notes by the Group or maturity of the relevant derivative financial instruments.

## 18 Cash and cash equivalents and other cash flow

## (a) Cash and cash equivalents comprise:

## The Group

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	52,270	95,752	72,206	99,978
Cash in hand	1	1	*	2
	<u>52,271</u>	<u>95,753</u>	<u>72,206</u>	<u>99,980</u>

\* Amount less than RMB1,000

## The Company

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	<u>1</u>	<u>59</u>	<u>*</u>	<u>17</u>

\* Amount less than RMB1,000

*(b) Reconciliation of profits before taxation to cash generated from operations*

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation		60,713	45,740	50,323	13,459	21,853
Adjustments for:						
Depreciation:						
— Property, plant and equipment	11	12,024	13,623	16,245	6,661	6,496
— Right-of-use assets	12	515	515	533	215	305
Amortisation of intangible assets	13	414	150	114	47	47
Finance costs		2,591	1,512	1,569	992	664
Interest income	6(a)	(681)	(2,071)	(2,097)	(1,191)	(620)
Net realised and unrealised gain on derivative financial instruments	5(b)	(4,468)	(380)	—	—	—
Net loss on disposal of property, plant and equipment	5(b)	1,512	187	126	131	1
(Reversal of impairment)/impairment loss on trade and other receivables	6(c)	(2,597)	539	771	961	998
Net exchange loss/(gain)		519	(101)	(34)	(30)	44
<b>Operating profit before changes in working capital</b>		<b>70,542</b>	<b>59,714</b>	<b>67,550</b>	<b>21,245</b>	<b>29,788</b>
Decrease/(increase) in inventories		15,688	(5,470)	(10,659)	(8,114)	9,951
Decrease/(increase) in trade and other receivables		10,152	(22,210)	(11,398)	7,563	257
(Increase)/decrease in pledged deposits		(6,582)	(1,699)	(3,490)	995	11,289
Increase/(decrease) in trade and other payables		16,142	13,603	(1,120)	1,650	(15,079)
(Decrease)/increase in contract liabilities		(1,475)	3,077	(3,042)	(1,199)	(151)
Increase/(decrease) in deferred income		366	(67)	(45)	(19)	1,635
Cash generated from operations		<u>104,833</u>	<u>46,948</u>	<u>37,796</u>	<u>22,121</u>	<u>37,690</u>

(c) *Reconciliation of liabilities arising from financing activities*

	Bank loans	Advances from related parties	Lease liabilities	Payable for listing expenses	Payable for deemed distribution arising from reorganisation	Dividend payable	Total
	RMB'000 Note 19	RMB'000 Note 20	RMB'000 Note 12(b)	RMB'000 Note	RMB'000 Note 20	RMB'000	RMB'000
<b>At 1 January 2019</b>	63,666	28,735	9,101	—	105,000	—	206,502
<b>Changes from financing cash flows:</b>							
Proceeds from bank loans	63,165	—	—	—	—	—	63,165
Repayment of bank loans	(127,347)	—	—	—	—	—	(127,347)
Proceeds from related parties	—	171,050	—	—	—	—	171,050
Repayment to related parties	—	(189,598)	—	—	—	—	(189,598)
Capital element of lease rentals paid	—	—	(350)	—	—	—	(350)
Interest element of lease rentals paid	—	—	(507)	—	—	—	(507)
Payment for listing expenses	—	—	—	(819)	—	—	(819)
Deemed distribution arising from the reorganisation (Note 25d(ii))	—	—	—	—	(1,050)	—	(1,050)
Interest paid	(2,087)	—	—	—	—	—	(2,087)
Total changes from financing cash flows	(66,269)	(18,548)	(857)	(819)	(1,050)	—	(87,543)
<b>Other changes:</b>							
Interest expenses (Note 6(a))	2,084	—	507	—	—	—	2,591
Payment by related parties on behalf of the Group	—	1,987	—	—	—	—	1,987
Listing expense capitalised	—	—	—	1,405	—	—	1,405
Net exchange loss	519	—	—	—	—	—	519
Total other changes	2,603	1,987	507	1,405	—	—	6,502

	Bank loans	Advances from related parties	Lease liabilities	Payable for listing expenses	Payable for deemed distribution arising from reorganisation	Dividend payable	Total
	RMB'000 Note 19	RMB'000 Note 20	RMB'000 Note 12(b)	RMB'000 Note	RMB'000 Note 20	RMB'000	RMB'000
<b>At 31 December 2019 and 1 January 2020</b>	—	12,174	8,751	586	103,950	—	125,461
<b>Changes from financing cash flows:</b>							
Proceeds from bank loans	50,000	—	—	—	—	—	50,000
Proceeds from related parties	—	2,375	—	—	—	—	2,375
Repayment to related parties	—	(14,168)	—	—	—	—	(14,168)
Capital element of lease rentals paid	—	—	(372)	—	—	—	(372)
Interest element of lease rentals paid	—	—	(485)	—	—	—	(485)
Payment for listing expenses	—	—	—	(3,503)	—	—	(3,503)
Deemed distribution arising from the reorganisation (Note 25d(ii))	—	—	—	—	(103,950)	—	(103,950)
Interest paid	(968)	—	—	—	—	—	(968)
Total changes from financing cash flows	49,032	(11,793)	(857)	(3,503)	(103,950)	—	(71,071)
<b>Other changes:</b>							
Interest expenses (Note 6(a))	1,027	—	485	—	—	—	1,512
Payment by related parties on behalf of the Group	—	907	—	—	—	—	907
Listing expense capitalised	—	—	—	4,291	—	—	4,291
Net exchange gain	—	(101)	—	—	—	—	(101)
Total other changes	1,027	806	485	4,291	—	—	6,609

	Bank loans	Advances from related parties	Lease liabilities	Payable for listing expenses	Payable for deemed distribution arising from reorganisation	Dividend payable	Total
	RMB'000 Note 19	RMB'000 Note 20	RMB'000 Note 12(b)	RMB'000 Note	RMB'000 Note 20	RMB'000	RMB'000
<b>At 31 December 2020 and 1 January 2021</b>	50,059	1,187	8,379	1,374	—	—	60,999
<b>Changes from financing cash flows:</b>							
Proceeds from bank loans	30,000	—	—	—	—	—	30,000
Repayment of bank loans	(50,000)	—	—	—	—	—	(50,000)
Capital element of lease rentals paid	—	—	(395)	—	—	—	(395)
Interest element of lease rentals paid	—	—	(462)	—	—	—	(462)
Payment for listing expenses	—	—	—	(1,291)	—	—	(1,291)
Interest paid	(1,131)	—	—	—	—	—	(1,131)
Total changes from financing cash flows	(21,131)	—	(857)	(1,291)	—	—	(23,279)
<b>Other changes:</b>							
Interest expenses (Note 6(a))	1,107	—	462	—	—	—	1,569
Listing expense capitalised	—	—	—	1,792	—	—	1,792
Net exchange gain	—	(34)	—	—	—	—	(34)
Total other changes	1,107	(34)	462	1,792	—	—	3,327
<b>At 31 December 2021 and 1 January 2022</b>	30,035	1,153	7,984	1,875	—	—	41,047
<b>Changes from financing cash flows:</b>							
Capital element of lease rentals paid	—	—	(419)	—	—	—	(419)
Interest element of lease rentals paid	—	—	(438)	—	—	—	(438)

	Advances from		Lease	Payable	Payable for deemed distribution	Dividend	Total
	Bank loans	related parties	liabilities	for listing expenses	arising from reorganisation	payable	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 19	Note 20	Note 12(b)	Note	Note 20		
Payment for listing expenses	—	—	—	(651)	—	—	(651)
Interest paid	(288)	—	—	—	—	—	(288)
Total changes from financing cash flows	(288)	—	(857)	(651)	—	—	(1,796)
<b>Other changes:</b>							
Interest expenses (Note 6(a))	484	—	180	—	—	—	664
Listing expense capitalised	—	—	—	331	—	—	331
Net exchange loss	—	44	—	—	—	—	44
Total other changes	484	44	180	331	—	—	1,039
<b>At 31 May 2022</b>	<b>30,231</b>	<b>1,197</b>	<b>7,307</b>	<b>1,555</b>	<b>—</b>	<b>—</b>	<b>40,290</b>

Note: Payable for listing expense is contained in the other payables and accruals as disclosed in note 20.

(d) *Total cash outflow for leases*

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within financing cash flows	857	857	857	857	857
Within investing cash flows	—	—	10,406	—	317
	857	857	11,263	857	1,174

## 19 Bank loans

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured bank loans	—	50,000	30,000	30,000
Interest payable	—	59	35	231
	—	50,059	30,035	30,231

*Notes:*

- (i) As at 31 December 2020, unsecured bank loan of RMB50,000,000 bearing interests at a fixed rate of 3.85% was repaid on 18 June 2021.
- (ii) As at 31 December 2021 and 31 May 2022, unsecured bank loan of RMB30,000,000 bearing interests at a fixed rate of 3.85%.

## 20 Trade and other payables

**The Group**

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Trade payables					
— Third parties		25,680	32,815	23,153	22,806
— Related parties	28(d)	1,154	280	485	3,742
Bills payables		22,797	24,496	27,986	16,697
		49,631	57,591	51,624	43,245
<b>Payable for deemed distribution arising from reorganisation</b>					
— Related parties	25(d)(ii)&28(d)	103,950	—	—	—
Other payables and accruals		16,881	27,761	25,688	23,639
Advances from related parties	28(d)	12,174	1,187	1,153	1,197
<b>Financial liabilities measured at amortised cost</b>		182,636	86,539	78,465	68,081
Accrued payroll and other benefits		9,067	10,301	10,456	5,414
Other taxes and charges payable		318	368	1,184	834
		192,021	97,208	90,105	74,329

- (a) **All of the trade payables are expected to be settled within one year or repayable on demand**

The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 28(d).

**The Company**

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Financial liabilities measured at amortised cost</b>				
Other payables	<u>12</u>	<u>1,366</u>	<u>1,408</u>	<u>1,490</u>

As of the end of the Relevant Periods, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

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

**21 Contract liabilities**

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Sales of aluminum alloy wheels	<u>3,756</u>	<u>6,833</u>	<u>3,791</u>	<u>3,640</u>

Movements in contract liabilities were as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January	5,231	3,756	6,833	3,791
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period	(4,763)	(3,315)	(5,435)	(2,635)
Increase in contract liabilities as a result of receipts in advances	<u>3,288</u>	<u>6,392</u>	<u>2,393</u>	<u>2,484</u>
At 31 December/31 May	<u>3,756</u>	<u>6,833</u>	<u>3,791</u>	<u>3,640</u>

## 22 Financial liabilities at fair value through profit or loss

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency derivatives	643	—	—	—
At 31 December/31 May	<u>643</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 23 Deferred income

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	<u>366</u>	<u>299</u>	<u>254</u>	<u>1,889</u>

## 24 Income tax in the consolidated statements of financial position

## (a) Current taxation in the consolidated statements of financial position represents:

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<b>PRC corporate income tax</b>				
At 1 January	10,191	4,016	320	1,673
Charged to profit or loss	12,466	10,606	12,938	6,072
Payments during the year/period	<u>(18,641)</u>	<u>(14,302)</u>	<u>(11,585)</u>	<u>(5,646)</u>
At the end of the year/period	<u>4,016</u>	<u>320</u>	<u>1,673</u>	<u>2,099</u>

**(b) Deferred tax assets recognised****(i) Movement of each component of deferred tax assets**

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	<b>Impairment loss on trade and other receivables</b>	<b>Lease expenses</b>	<b>Accrued expenses</b>	<b>Inventory provision</b>	<b>Fair value change of derivatives financial instruments</b>	<b>Deferred income</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2019	668	213	379	152	1,790	—	3,202
(Charged)/credited to profit or loss	(649)	42	94	6	(1,736)	92	(2,151)
At 31 December 2019	19	255	473	158	54	92	1,051
Credited/(charged) to profit or loss	134	35	(473)	(53)	(54)	(17)	(428)
At 31 December 2020	153	290	—	105	—	75	623
Credited/(charged) to profit or loss	193	30	—	67	—	(12)	278
At 31 December 2021	346	320	—	172	—	63	901
Credited to profit or loss	160	10	—	22	—	409	601
At 31 May 2022	<b>506</b>	<b>330</b>	<b>—</b>	<b>194</b>	<b>—</b>	<b>472</b>	<b>1,502</b>

**(ii) Reconciliation to the consolidated statements of financial position:**

	<b>At 31 December</b>			<b>At 31 May</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Net deferred tax assets recognised in the consolidated statements of financial position	<b>1,051</b>	<b>623</b>	<b>901</b>	<b>1,502</b>

**(c) Deferred tax liabilities not recognised**

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The Group has not recognised deferred tax liabilities as at 31 December 2019, 2020 and 2021 and 31 May 2022 in respect of undistributed earnings of

RMB69,105,000, RMB100,225,000, RMB134,841,000 and RMB151,237,000 as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

## 25 Capital, reserves and dividends

### (a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### The Company

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25(b))	(Note 25(d)(i))	(Note 25(d)(iv))		
Balance at 1 January 2019	347	—	(4)	—	343
Change in equity for 2019:					
Loss for the year	—	—	—	(2)	(2)
Other comprehensive income for the year	—	—	8	—	8
Total comprehensive income	—	—	8	(2)	6
Balance at 31 December 2019 and 1 January 2020	347	—	4	(2)	349
Change in equity for 2020:					
Loss for the year	—	—	—	(545)	(545)
Other comprehensive income for the year	—	—	(8,527)	—	(8,527)
Total comprehensive income	—	—	(8,527)	(545)	(9,072)
Issue of shares (Note 25(b))	710	104,999	—	—	105,709
Balance at 31 December 2020 and 1 January 2021	<u>1,057</u>	<u>104,999</u>	<u>(8,523)</u>	<u>(547)</u>	<u>96,986</u>
Change in equity for 2021:					
Loss for the year	—	—	—	(222)	(222)
Other comprehensive income for the year	—	—	(2,767)	—	(2,767)
Total comprehensive income	—	—	(2,767)	(222)	(2,989)
Balance at 31 December 2021 and 1 January 2022	1,057	104,999	(11,290)	(769)	93,997
Change in equity for the five months ended 31 May 2022:					
Loss for the period	—	—	—	(12)	(12)
Other comprehensive income for the period	—	—	3,570	—	3,570
Total comprehensive income	—	—	3,570	(12)	3,558

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25(b))	(Note 25(d)(i))	(Note 25(d)(iv))		
Balance at 31 May 2022	1,057	104,999	(7,720)	(781)	97,555
(Unaudited)					
Balance at 31 December 2020 and 1 January 2021	1,057	104,999	(8,523)	(547)	96,986
Change in equity for the five months ended 31 May 2021:					
Loss for the period	—	—	—	(161)	(161)
Other comprehensive income for the period	—	—	(2,440)	—	(2,440)
Total comprehensive income	—	—	(2,440)	(161)	(2,601)
Balance at 31 May 2021	1,057	104,999	(10,963)	(708)	94,385

**(b) Share capital**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 November 2018 with an authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each.

On 14 November 2018, the Company issued and allotted 1 share with a par value of USD1.00 and 49,999 shares with a par value of USD 1.00 each (RMB equivalent 347,000) with fully paid respectively, to the shareholders of the Company, as detailed in the section headed “History, Reorganization and Corporate Structure” to the Prospectus.

On 24 March 2020, the Company issued and allotted a total of 100,000 new shares with a par value of USD1.00 each (RMB equivalent 710,000) with fully paid to the shareholders of the Company as detailed in the section headed “History, Reorganization and Corporate Structure” to the Prospectus. The shareholders of the Company subscribed 100,000 shares with total consideration of USD14,888,780 (RMB equivalent 105,709,000) on 24 March 2020.

On 1 May 2020, (i) the authorised share capital of the Company was increased from USD50,000 divided into 50,000 shares with a par value of USD1.00 each to USD2,000,000 divided into 2,000,000 shares with a par value of USD1.00 each by creation of additional 1,950,000 shares with a par value of USD1.00 each; (ii) each authorised, issued and unissued share of USD1.00 was subdivided into 2,000,000,000 shares with a par value of USD0.001 each. Upon completion of the increase of authorised share capital and share subdivision, the authorised share capital of the Company was USD2,000,000 divided into 2,000,000,000 shares with par value of USD0.001 each.

Accordingly, the issued 150,000 shares of the Company with par value of USD1.00 each are subdivided into 150,000,000 shares with a par value of USD0.001 each thereafter.

**(c) Dividends**

The directors of the Company did not propose any declaration of dividend during the Relevant Periods.

(d) *Nature and purpose of reserves*

(i) Share Premium

Share premium represents the difference between the consideration and the par value of the issued and paid-up shares of the Company.

(ii) Capital reserve

Capital reserve represents the excess of consideration paid by the Group over the paid-in capital of Buyang Wheel pursuant to a reorganisation as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

In 2018, the Company, through its wholly-owned subsidiary, acquired 1% and 99% equity interests in Buyang Wheel from the then equity holder of Buyang Wheel, which is also controlled by Mr. Xu Buyun, with an aggregate consideration of RMB105,000,000. The total consideration for such acquisition of equity interests under common control was accounted for as deemed distribution and debited to capital reserve of the Group, among which RMB1,050,000 was settled on 27 March 2019 and RMB103,950,000 was settled on 24 March 2020, which give rise to an outstanding payable of RMB72,450,000 and RMB31,500,000 to Mr. Xu Buyun and Ms. Chen Jiangyue as at 31 December 2019, respectively, for deemed distribution arising from the reorganisation.

(iii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which is incorporated in the PRC. The PRC statutory reserve is established until the reserve balance reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, the PRC statutory reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is handled with in accordance with the accounting policies set out in Note 2(s).

(e) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratios as at 31 December 2019, 2020 and 2021 and 31 May 2022 were as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Total liabilities	209,553	163,098	133,842	119,495
Total assets	248,089	339,833	348,262	350,265
Debt to asset ratios	<u>84.47%</u>	<u>47.99%</u>	<u>38.43%</u>	<u>34.12%</u>

## 26 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and financial risk management policies and practises used by the Group to manage these risks are described below.

### (a) Credit risk

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

#### *Trade receivables*

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. As at 31 December 2019, 2020 and 2021 and 31 May 2022, 4.39%, 25.25%, 4.91% and 8.89%, respectively, of trade receivables were due from the Group's largest customer and 37.82%, 53.90%, 37.84% and 39.05%, respectively, of trade receivables were due from the Group's five largest customers respectively.

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

The Group does not provide any guarantees which would expose the Group to credit risk.

In respect of trade receivables, the Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix and individually determined to be impaired.

At 31 December 2019, 2020 and 2021 and 31 May 2022, the Group's trade receivables of RMB nil, RMB357,000, RMB2,056,000 and RMB6,748,000 respectively were individually determined to be impaired. The individually impaired receivables related to a customer that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for impairment of trade and other receivables of RMB nil, RMB357,000, RMB231,000 and RMB996,000 respectively were recognised as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

For the provision matrix method, as the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on ageing information which is analysed base on the date of revenue recognition is not further distinguished between the Group's different customer bases.

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables by using a provision matrix as at 31 December 2019, 2020 and 2021 and 31 May 2022:

	<u>At 31 December 2019</u>		
	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
		<b>%</b>	<b>RMB'000</b>
	Within 3 months	0.08%	41,020
Over 3 months but within 6 months	0.21%	2,326	5
Over 6 months but within 12 months	2.27%	1,099	25
Over 12 months	100.00%	8	8
		<u>44,453</u>	<u>72</u>

	<u>At 31 December 2020</u>		
	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
		<b>%</b>	<b>RMB'000</b>
	Within 3 months	0.09%	61,232
Over 3 months but within 6 months	1.83%	2,026	37
Over 6 months but within 12 months	9.04%	708	64
Over 12 months	100.00%	98	98
		<u>64,064</u>	<u>254</u>

	<u>At 31 December 2021</u>		
	<u>Expected</u>	<u>Gross</u>	<u>Loss</u>
	<u>loss rate</u>	<u>carrying</u>	<u>allowance</u>
	%	RMB'000	RMB'000
Within 3 months	0.17%	70,032	117
Over 3 months but within 6 months	1.80%	5,098	92
Over 6 months but within 12 months	35.35%	495	175
Over 12 months	99.76%	411	410
		<u>76,036</u>	<u>794</u>

	<u>At 31 May 2022</u>		
	<u>Expected</u>	<u>Gross</u>	<u>Loss</u>
	<u>loss rate</u>	<u>carrying</u>	<u>allowance</u>
	%	RMB'000	RMB'000
Within 3 months	0.23%	68,311	159
Over 3 months but within 6 months	1.66%	5,709	95
Over 6 months but within 12 months	8.89%	1,069	95
Over 12 months	100.00%	678	678
		<u>75,767</u>	<u>1,027</u>

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance in respect of trade receivables measured at amortised cost during the Relevant Periods is as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	2,669	72	611	1,025
(Reversal of impairment)/impairment loss recognised	(2,597)	539	771	998
Amounts written-off	—	—	(357)	—
At the end of the year/period	<u>72</u>	<u>611</u>	<u>1,025</u>	<u>2,023</u>

**(b) Liquidity risk**

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

The following tables show the remaining contractual maturities at the end of each Relevant Periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	<b>At 31 December 2019</b>					
	<b>Within</b>	<b>More than</b>	<b>More than</b>			
	<b>1 year or</b>	<b>1 year but</b>	<b>2 years but</b>	<b>More than</b>	<b>Total</b>	<b>Carrying</b>
	<b>on demand</b>	<b>less than</b>	<b>less than</b>	<b>5 years</b>		<b>amount</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade and other payables	182,636	—	—	—	182,636	182,636
Lease liabilities	857	857	2,571	8,570	12,855	8,751
Financial liabilities at fair value through profit or loss	643	—	—	—	643	643
	<b>184,136</b>	<b>857</b>	<b>2,571</b>	<b>8,570</b>	<b>196,134</b>	<b>192,030</b>
	<b>At 31 December 2020</b>					
	<b>Within</b>	<b>More than</b>	<b>More than</b>			
	<b>1 year or</b>	<b>1 year but</b>	<b>2 years but</b>	<b>More than</b>	<b>Total</b>	<b>Carrying</b>
	<b>on demand</b>	<b>less than</b>	<b>less than</b>	<b>5 years</b>		<b>amount</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Bank loans	50,957	—	—	—	50,957	50,059
Trade and other payables	86,539	—	—	—	86,539	86,539
Lease liabilities	857	857	2,571	7,713	11,998	8,379
	<b>138,353</b>	<b>857</b>	<b>2,571</b>	<b>7,713</b>	<b>149,494</b>	<b>144,977</b>

At 31 December 2021						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	30,971	—	—	—	30,971	30,035
Trade and other payables	78,465	—	—	—	78,465	78,465
Lease liabilities	857	857	2,571	6,856	11,141	7,984
	<u>110,293</u>	<u>857</u>	<u>2,571</u>	<u>6,856</u>	<u>120,577</u>	<u>116,484</u>
At 31 May 2022						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	30,683	—	—	—	30,683	30,231
Trade and other payables	68,081	—	—	—	68,081	68,081
Lease liabilities	857	857	2,571	5,999	10,284	7,307
	<u>99,621</u>	<u>857</u>	<u>2,571</u>	<u>5,999</u>	<u>109,048</u>	<u>105,619</u>

**(c) Interest rate risk**

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

**(d) Currency risk**

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

**(i) Exposure to currency risk**

The following table details the Group's exposure as at 31 December 2019, 2020 and 2021 and 31 May 2022 to currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in

RMB translated using the spot rate of the end of each Relevant Periods. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB'000)															
	At 31 December												At 31 May			
	2019				2020				2021				2022			
	USD	EUR	CHF	RMB	USD	EUR	CHF	RMB	USD	EUR	CHF	RMB	USD	EUR	CHF	RMB
The functional currency is RMB:																
Trade and other receivables	37,441	—	—	—	56,368	—	—	—	53,241	—	—	—	55,334	—	—	—
Cash and cash equivalents	12,360	1,445	22	—	32,203	—	—	—	18,094	—	—	—	18,675	—	—	—
Pledged deposits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bank loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Trade and other payables	(2,524)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	47,277	1,445	22	—	88,571	—	—	—	71,335	—	—	—	74,009	—	—	—
The functional currency is HKD:																
Trade and other payables	—	—	—	(103,950)	—	—	—	—	—	—	—	—	—	—	—	—
Cash and cash equivalents	—	—	—	—	1	—	—	—	1	—	—	—	1	—	—	—
	—	—	—	(103,950)	1	—	—	—	1	—	—	—	1	—	—	—
Net exposure arising from recognised assets and liabilities	47,277	1,445	22	(103,950)	88,572	—	—	—	71,336	—	—	—	74,010	—	—	—

Changes in the fair value of foreign currency derivatives that economically hedge monetary liabilities denominated in foreign currencies are recognised in profit or loss (Note 5(b)). The net fair value of foreign currency derivatives used by the Group as economic hedges of monetary liabilities denominated in foreign currencies at 31 December 2019, 2020 and 2021 and 31 May 2022 were RMB 643,000, RMB nil, RMB nil and RMB nil respectively, recognised as foreign currency derivatives (Note 22).

## (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each Relevant Periods had changed at that date, assuming all other risk variables remained constant.

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

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each Relevant Periods for presentation purpose.

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

(e) *Fair value measurement*

## (i) Financial assets and liabilities measured at fair value

**Fair value hierarchy**

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in

HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2019	Fair value measurement at 31 December 2019 categorised into		
	RMB'000	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
— Foreign currency derivatives	643	—	643	—

	Fair value at 31 December 2020	Fair value measurement at 31 December 2020 categorised into		
	RMB'000	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
— Foreign currency derivatives	—	—	—	—

	Fair value at 31 December 2021	Fair value measurement at 31 December 2021 categorised into		
	RMB'000	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
— Foreign currency derivatives	—	—	—	—

	Fair value at 31 May 2022	Fair value measurement at 31 May 2022 categorised into		
	RMB'000	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
— Foreign currency derivatives	—	—	—	—

## Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of foreign exchange option contracts in Level 2 is determined by using Garman and Kohlhagen model. This model is an extension of Black Scholes model in foreign exchange options. The models incorporate various inputs, including risk-free interest rates of local currency and foreign currency.

The fair value of foreign exchange forward contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

## (ii) Fair value of financial assets and liabilities carried at other than fair value

As at 31 December 2019, 2020 and 2021 and 31 May 2022, financial assets carried at other than fair value are expected to be collected in one year or less and these financial liabilities are due within one year or less. As a result, the carrying amount of these financial assets and liabilities not measured at fair value are a reasonable approximation of their fair value.

**27 Commitments**

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

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

## 28 Material related party transactions

## (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	495	508	585	239	238
Contributions to defined contribution retirement plans	13	1	13	6	6
	<u>508</u>	<u>509</u>	<u>598</u>	<u>245</u>	<u>244</u>

Total remuneration is included in "staff costs" (see Note 6(b)).

## (b) Name of and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Mr. Xu Buyun 徐步雲先生	Controlling shareholder of the Company
Mrs. Chen Jiangyue 陳江月女士	Mr. Xu Buyun's close family member and the shareholder of the Company
First Oriental Limited ("First Oriental")	Shareholder of the Company, controlled by Mr. Xu Buyun and Mrs. Chen Jiangyue
Ms. Xu Jingjun 徐璟珺女士	Mr. Xu Buyun's close family member and the key management personnel
Buyang PRC 步陽集團有限公司及其子公司*	Corporate Controlled by Mr. Xu Buyun, immediate holding company of Buyang Wheel before the Reorganisation
Zhejiang Feishen Automobile Co., Ltd. ("Zhejiang Feishen") 浙江飛神車業有限公司*	Corporate Controlled by Mr. Xu Buyun's close family member

\* The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

(c) *Significant related party transactions*

The particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

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

*Notes:*

- (i) The amount of rent payable excluding value-added tax by the Group under the lease is RMB857,000 per year. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB10,310,000.

Bank loan of USD1,991,000 (equivalent to approximately RMB13,663,000) bearing interests at a fixed rate of 3.88% per annum were secured by trade receivables of the Group of USD2,237,000 (equivalent to approximately RMB15,351,000) and properties owned by Buyang PRC and guaranteed by Buyang PRC, and was repaid in October 2019.

Bank loans of RMB20,000,000 bearing interests at a fixed rate of 5.22% per annum were secured by properties owned by Mr. Xu Buyun and Mrs. Chen Jiangyue, and were repaid in October 2019. Bank loans of RMB30,000,000 bearing interests at a fixed rate of 5.00% per annum were secured by properties owned by Buyang PRC and guaranteed by Buyang PRC, and were repaid in October 2019. All the above-mentioned guarantees or pledge of assets provided by Buyang PRC, Mr. Xu Buyun and Mrs. Chen Jiangyue have been released before 31 December 2019.

*(d) Significant related party balances*

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts due to:</b>				
Zhejiang Feishen				
— Non-trade nature	57	—	—	—
Ms. Xu Jingjun				
— Non-trade nature	1,050	—	—	—
Mr. Xu Buyun				
— Non-trade nature				
— Payable for deemed distribution arising from reorganisation	72,450	—	—	—
Mrs. Chen Jiangyue				
— Non-trade nature				
— Payable for deemed distribution arising from reorganisation	31,500	—	—	—
First Oriental				
— Non-trade nature	—	1,187	1,153	1,197
Buyang PRC				
— Trade nature	1,154	280	485	3,742
— Non-trade nature	11,067	—	—	—
	<u>117,278</u>	<u>1,467</u>	<u>1,638</u>	<u>4,939</u>
<b>Lease liabilities due to:</b>				
— Buyang PRC	<u>8,751</u>	<u>8,379</u>	<u>7,984</u>	<u>7,307</u>

Amounts due from/(to) related parties are unsecured and interest-free.

Amounts due to related parties that are non-trade nature as at 31 May 2022 is the interest-free payables which will be settled by 18 November 2022 or upon listing of the Company's shares on the Stock Exchange, whichever is earlier.

**29 Immediate and ultimate controlling party**

At 31 December 2019, 2020 and 2021 and 31 May 2022, the directors consider the immediate parent of the Group to be First Oriental Limited. This entity does not produce financial statements available for public use. The directors consider the ultimate controlling party of the Group to be Mr. Xu Buyun.

### 30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the Relevant Periods and which have not been adopted in these Historical Financial Information as follows:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1, <i>Presentation of financial statements, Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKFRS 4, <i>Extension of the temporary exemption from applying HKFRS 9</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
HKFRS 17 <i>Insurance Contracts</i> and Amendments to HKFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

### 31 Subsequent events

- (a) The Subscription and Set-off Agreement dated 18 November 2022 entered into between the Company and First Oriental Limited, pursuant to which First Oriental Limited agreed to subscribe for, and the Company agreed to allot and issue 2,000,000 shares of the Company in consideration of HKD1,410,336.64 which shall be set-off by the amount due to First Oriental Limited by the Company of HKD1,410,336.64;
- (b) Pursuant to the resolutions of the Company's shareholders passed on 18 November 2022, conditional upon the fulfilment or waiver of the conditions set out in the section headed "Structure and Conditions of the Global Offering" and subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of new shares under global offering, the directors of the Company are authorised to allot and issue a total of 598,000,000 shares credited as fully paid at par to shareholders whose names appear on the register of members of our Company at the close of business on the date immediately prior to the Listing Date in proportion to their respective shareholdings by way of capitalisation of the sum of USD598,000 standing to the credit of the share premium account of the Company.

**SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries that comprise the Group in respect of any period subsequent to 31 May 2022.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I.

#### A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 May 2022 as if the Global Offering had taken place on that date.

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

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

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 31 May 2022 is based on the total equity attributable to equity shareholders of the Company of RMB230,770,000 less intangible assets of RMB221,000 as of 31 May 2022, which is extracted from the Accountants' Report as set out in Appendix I to the Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 250,000,000 Shares to be issued at the estimated offer prices of HK\$0.50 per Share (being the low-end price) and HK\$0.60 per Share (being the high-end price), after deduction of the estimated underwriting fees and other estimated related expenses paid and payable by us of approximately RMB3.6 million and RMB10.9 million, respectively (excluding approximately RMB26.9 million expenses which have been charged to profit or loss up to 31 May 2022), assuming the Over-allotment Option is not exercised.

- (3) For illustrative purpose, the estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Hong Kong dollar into Renminbi at the exchange rate of HK\$1.00 to RMB0.8722, the exchange rate set by the People's Bank of China prevailing on 21 September 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any rates or at all.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares are in issue immediately following the completion of the loan capitalization as mentioned in note 31(a) included in the Accountant's Report set out in Appendix I to this prospectus, Capitalization Issue and the Global Offering as at 31 May 2022, but do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.
- (5) No adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions entered into subsequent to 31 May 2022.

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.*



## **INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

### **TO THE DIRECTORS OF BUYANG INTERNATIONAL HOLDING INC**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Buyang International Holding Inc (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 May 2022 and related notes as set out in Part A of Appendix II to the prospectus dated 29 November 2022 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 May 2022 as if the Global Offering had taken place at 31 May 2022. As part of this process, information about the Group's financial position as at 31 May 2022 has been extracted by the Directors from the Group's historical financial information included in the Accountant's Report as set out in Appendix I to the Prospectus.

#### *Directors' Responsibilities for the Pro Forma Financial Information*

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

*Opinion*

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

*Certified Public Accountants*

Hong Kong

29 November 2022

---

## APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

---

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 14, 2018 under the Companies Act (As Revised) of the Cayman Islands (the “**Companies Act**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

### 1.        **MEMORANDUM OF ASSOCIATION**

- (a)        The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b)        The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2.        **ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on November 18, 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### (a)        **Shares**

##### (i)        **Classes of shares**

The share capital of the Company consists of ordinary shares.

##### (ii)       **Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned or postponed meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned or postponed meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the “**Listing Rules**”) that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by the Members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) **Power of the Company to purchase its own shares**

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way

of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) **Appointment, retirement and removal**

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) **Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third-party.

(v) **Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) **Compensation or payments for loss of office**

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) **Loans and provision of security for loans to Directors**

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) **Disclosure of interests in contracts with the Company or any of its subsidiaries**

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:-

- (aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

- (bbb) to a third-party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
    - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
    - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
  - (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (c) **Proceedings of the Board**
- The board may meet for the dispatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.
- (d) **Alterations to constitutional documents and the Company's name**
- The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.
- (e) **Meetings of members**
- (i) **Special and ordinary resolutions**
- A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorized is present thereat.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings and extraordinary general meetings**

The Company must hold an annual general meeting of the Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more member holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined below), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) **Notices of meetings and business to be conducted**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting (the "**Principal Meeting Place**"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are

not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be given or issued by the following means:

- (aa) by serving it personally on the relevant person;
- (bb) by sending it through the post to such member's registered address;
- (cc) by delivering or leaving it at such member's registered address;
- (dd) by placing an advertisement in newspapers or other publication and where applicable, in accordance with the requirements of the Stock Exchange;
- (ee) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under the Articles, subject to the Company complying with the Cayman Islands laws and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person;
- (ff) by publishing it on the Company's website to which the relevant person may have access, subject to the Company complying with the Cayman Islands law and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to any such person stating that the notice, document or publication is available on the Company's computer network website; or
- (gg) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the Cayman Islands law and other applicable laws, rules and regulations.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aaa) the declaration and sanctioning of dividends;
- (bbb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (ccc) the election of directors in place of those retiring;
- (ddd) the appointment of auditors and other officers; and

(eee) the fixing of the remuneration of the directors and of the auditors.

(v) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned or postponed meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date

of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to member of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

---

## APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

---

### 3.     **CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a)     **Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b)     **Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c)     **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

---

**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

---

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i)    **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j)    **Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1)    that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2)    that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from April 1, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k)    **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l)    **Loans to directors**

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m)    **Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) **Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court,

or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act,

the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) **Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands (“**ES Act**”) that came into force on January 1, 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

#### 4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**1. FURTHER INFORMATION ABOUT OUR GROUP****A. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 14, 2018 under the Companies Act. Our registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Our Company has established a principal place of business in Hong Kong at, 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and has been registered in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on April 17, 2020. Ms. Cheung Yuet Fan has been appointed by us as our authorized representative for the acceptance of service of process and notices on behalf of us in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, the Memorandum and the Articles are subject to the relevant laws and regulations of the Cayman Islands. A summary of certain relevant aspects of the laws and regulations of the Cayman Islands and a summary of the relevant provisions of our Memorandum and Articles are set out in Appendix III to this prospectus.

**B. Changes in Share Capital**

The authorized share capital of our Company as at the date of its incorporation was US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. The following sets out the changes in the share capital of our Company since its date of incorporation up to the date of this prospectus:

- (a) on November 14, 2018, one share with par value of US\$1.00 was allotted and issued, credited as fully paid, to the initial subscriber, which was subsequently transferred to First Oriental on the same day. On the same day, 49,999 shares with par value of US\$1.00 each were also allotted and issued, credited as fully paid, to First Oriental;
- (b) on May 1, 2020, the authorized share capital of our Company was increased from US\$50,000 divided into 50,000 shares with par value of US\$1.00 each to US\$2,000,000 divided into 2,000,000 shares with par value of US\$1.00 each by the creation of an additional 1,950,000 shares with par value of US\$1.00 each;
- (c) on May 1, 2020, 100,000 shares with par value of US\$1.00 each were allotted and issued, credited as fully paid, to First Oriental;
- (d) on May 1, 2020, each issued and unissued share with par value of US\$1.00 in our Company was subdivided into 1,000 Shares with par value of US\$0.001 each, such that the authorized share capital of our Company has become US\$2,000,000 divided into 2,000,000,000 Shares with par value of US\$0.001 each; and
- (e) on November 18, 2022, 2,000,000 Shares with par value of US\$0.001 each were allotted and issued, credited as fully paid, to First Oriental.

Assuming that the Global Offering becomes unconditional, immediately following completion of the Capitalization Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), the issued share capital of our Company will be US\$1,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 1,000,000,000 Shares will remain unissued.

Other than Shares to be issued under the Capitalization Issue, the Global Offering and pursuant to the exercise of the Over-allotment Option, the options that may be granted under the Share Option Scheme and the general mandate to issue Shares referred to in the paragraph headed “C. Written resolutions of our Sole Shareholder Passed on November 18, 2022” in this sub-section, our Directors do not have any present intention to issue any Share out of the authorized but unissued share capital of our Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed above and in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus, there has been no alteration in the authorized and issued share capital of our Company since its incorporation and up to the date of this prospectus.

#### C. **Written Resolutions of our Sole Shareholder Passed on November 18, 2022**

Pursuant to the written resolutions of our sole Shareholder passed on November 18, 2022:

- (a) conditional upon and with effect from the Listing, the Memorandum and the Articles were approved and adopted;
- (b) conditional upon the fulfillment or waiver of the conditions set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Global Offering, our Directors were authorized to allot and issue a total of 598,000,000 Shares credited as fully paid at par to the Shareholder(s) whose names appear on the register of members of our Company at the close of business on the date immediately prior to the Listing Date in proportion to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, by way of capitalization of an amount of US\$598,000 standing to the credit of the share premium account of our Company;
- (c) conditional upon the fulfillment or waiver of the conditions set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus, the Global Offering and the Over-allotment Option were approved;
- (d) a general unconditional mandate (the “**Issuing Mandate**”) was given to our Directors to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by

the Shareholders in general meeting, Shares with a total number not exceeding 20% of the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (not including any Share which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) whereas such Issuing Mandate is to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; and (iii) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing the Issuing Mandate, provided that the Issuing Mandate may only be exercised in compliance with the applicable requirements of the Listing Rules;

- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (not including any Share which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) whereas such Repurchase Mandate is to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; and (iii) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing such Repurchase Mandate;
- (f) the Issuing Mandate was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Issuing Mandate of the number of Shares repurchased by our Company pursuant to and in accordance with the Repurchase Mandate; and
- (g) the Share Option Scheme was approved and that our Directors or any committee established by our Board were authorized, at their sole discretion, to (i) administer the Share Option Scheme; (ii) modify and/or amend the Share Option Scheme from time to time as required by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limit referred to in the Share Option Scheme; (iv) allot and issue Shares pursuant to the exercise of any of the share options (the “**Share Options**”) which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may from time to time be allotted and issued upon the exercise of the Share Options; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme.

#### **D. Reorganization**

In preparation for the Global Offering, our Group has undertaken the Reorganization, details of which are set forth in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus.

**E. Particulars and Changes in the Share Capital of our Subsidiaries**

There has been no change in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

**F. Repurchase by our Company of our own Securities**

The Repurchase Mandate was granted to our Directors by our Shareholder pursuant to a written resolution of our then sole Shareholder dated November 18, 2022 authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (not including any Share which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) whereas such Repurchase Mandate is to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; and (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing such Repurchase Mandate.

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

**(a) Provision of the Listing Rules**

Subject to certain restrictions, the Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange, the most important of which are summarized below.

**(i) Shareholders' approval**

The Listing Rules provide that all proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of a specific approval of a specific transaction, or by way of a general mandate.

**(ii) Source of funds**

Any repurchase of securities of the Company must be financed out of funds legally available for the purpose in accordance with the Listing Rules, the Articles and the applicable laws and regulations. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

**(iii) Trading restrictions**

Our Company may not issue or announce a proposed issue of Shares for a period of 30 days after repurchase of Shares, without the prior approval of the Stock Exchange.

Our Company may not purchase our Shares on the Stock Exchange (i) if the repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange; (ii) if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange (iii) for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time; (iv) knowingly from a core connected person on the Stock Exchange; (v) at any time after inside information has come to our knowledge until the information is made publicly available, including one month preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, unless the circumstances are exceptional.

Our Company is required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically canceled and the certificates for those Shares will be canceled and destroyed. Under the Companies Act, our Company's repurchased Shares shall be treated as canceled on repurchase and the amount of our Company's issued share capital shall be diminished by the aggregate nominal value of the repurchased Shares (although the authorized share capital of our Company will not be reduced as a result of the repurchase).

In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

(v) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange the business day following any day on which our Company has made a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant, and the aggregate prices paid. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including the number of Shares repurchased each month, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid. The Directors' report shall contain reference to the purchases made during the year and the directors reasons for making such purchases.

(vi) *Core connected persons*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person” which includes a Director, chief executive and substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in our and our Shareholders’ best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum, the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company’s current financial position as disclosed in this prospectus and taking into account our Company’s current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our Company’s working capital and/or our Company’s gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company’s working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (not including any Share which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Shares Option Scheme), could accordingly result in up to approximately 100,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying, or renewing such Repurchase Mandate,

whichever is the earliest.

None of our Directors, to the best of their knowledge and having made all reasonable enquiries, nor any of their close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Share to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of his/her/their interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As First Oriental will be interested in 75% of our total issued Shares immediately upon completion of the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), our Directors are not aware of any consequences which would arise under the Takeovers Code as a result of repurchases of Shares pursuant to the Repurchase Mandate in part or in full.

No core connected persons of our Company have notified us that he/she/it has a present intention to sell Shares to our Company nor, save as disclosed in the section headed "Underwriting" in this prospectus, have undertaken not to sell any such securities to our Company, if the Repurchase Mandate is exercised. No Share has been repurchased by our Company (whether on the Stock Exchange or otherwise) during the previous six months from the date of this prospectus.

## 2. FURTHER INFORMATION ABOUT OUR BUSINESS

### A. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus which are or may be material:

- (a) the Share Subscription and Set-off Agreement dated November 18, 2022 entered into between Buyang International Holding Inc (步陽國際控股有限公司) and First Oriental Limited, pursuant to which First Oriental Limited agreed to subscribe for, and Buyang International Holding Inc agreed to allot and issue 2,000,000 shares of Buyang International Holding Inc at the consideration of HK\$1,410,336.64 which shall be set-off by the amount due to First Oriental Limited by Buyang International Holding Inc of HK\$1,410,336.64;
- (b) the deed of indemnity dated November 18, 2022 and executed by Xu Buyun (徐步雲), Chen Jiangyue (陳江月), TopSun Investment Holding Company Limited and First Oriental Limited in favor of Buyang International Holding Inc (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the paragraph headed "5. OTHER INFORMATION — C. Deed of Indemnity" in this Appendix;

- (c) the cornerstone investment agreement dated November 24, 2022 entered into between Arda (HK) Investment Co., Limited, Buyang International Holding Inc, Zhongtai International Capital Limited and Zhongtai International Securities Limited, pursuant to which Arda (HK) Investment Co., Limited has agreed to subscribe, at the Offer Price, for Shares of Buyang International Holding Inc in an aggregate amount of HK\$30.0 million (excluding brokerage and levy); and
- (d) the Hong Kong Underwriting Agreement.

## B. Intellectual Property Rights

### (a) Trademarks

As at the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which may be material to our business:

No.	Trademark	Place of Registration	Trademark No.	Registered owner	Class(es)	Valid Period
1.		EU and Russian Federation	1196442	Buyang Wheel	12	December 17, 2013 to December 17, 2023
2.		PRC	12297304	Buyang Wheel	12	August 28, 2014 to August 27, 2024
3.		U.S.	4603860	Buyang Wheel	12	September 16, 2014 to December 17, 2023
4.		PRC	13620221	Buyang Wheel	12	March 7, 2015 to March 6, 2025
5.		PRC	13620243	Buyang Wheel	12	August 21, 2015 to August 20, 2025
6.		PRC	16654453	Buyang Wheel	12	May 28, 2016 to May 27, 2026
7.		PRC	39121100	Buyang Wheel	12	February 14, 2020 to February 13, 2030
8.	ABTMotorsport	PRC	39125371	Buyang Wheel	12	April 14, 2020 to April 13, 2030
9.		Hong Kong	305206798	Buyang Wheel	12, 35	March 3, 2020 to March 2, 2030

*(b)* Design patents

As at the Latest Practicable Date, we were the registered owner of various design patents. The following table sets forth certain of these design patents which may be material to our business:

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
1.	Automobile Wheel (D1501)* (汽車輪轂 (D1501))	PRC	ZL 2019 3 0472308.X	Buyang Wheel	January 21, 2020
2.	Automobile Wheel (D1497)* (汽車輪轂 (D1497))	PRC	ZL 2019 3 0472359.2	Buyang Wheel	January 21, 2020
3.	Automobile Wheel (1341)* (汽車輪轂 (1341))	PRC	ZL 2019 3 0472381.7	Buyang Wheel	January 21, 2020
4.	Automobile Wheel (D1502)* (汽車輪轂 (D1502))	PRC	ZL 2019 3 0472301.8	Buyang Wheel	January 21, 2020
5.	Automobile Wheel (1364)* (汽車輪轂 (1364))	PRC	ZL 2019 3 0472294.1	Buyang Wheel	January 21, 2020
6.	Automobile Wheel (1510)* (汽車輪轂 (1510))	PRC	ZL 2019 3 0472288.6	Buyang Wheel	January 21, 2020
7.	Automobile Wheel (1439)* (汽車輪轂 (1439))	PRC	ZL 2019 3 0472280.X	Buyang Wheel	January 21, 2020
8.	Automobile Wheel (1438)* (汽車輪轂 (1438))	PRC	ZL 2019 3 0472310.7	Buyang Wheel	January 21, 2020

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
9.	Automobile Wheel (1359)* (汽車輪轂(1359))	PRC	ZL 2019 3 0472292.2	Buyang Wheel	January 21, 2020
10.	Automobile Wheel (1427)* (汽車輪轂(1427))	PRC	ZL 2019 3 0472377.0	Buyang Wheel	January 21, 2020
11.	Automobile Wheel (D1576)* (汽車輪轂(D1576))	PRC	ZL 2019 3 0685044.6	Buyang Wheel	May 8, 2020
12.	Automobile Wheel (D1562)* (汽車輪轂(D1562))	PRC	ZL 2019 3 0685045.0	Buyang Wheel	May 12, 2020
13.	Automobile Wheel (D1561)* (汽車輪轂(D1561))	PRC	ZL 2019 3 0685054.X	Buyang Wheel	May 15, 2020
14.	Automobile Wheel (1565)* (汽車輪轂(1565))	PRC	ZL 2019 3 0685059.2	Buyang Wheel	May 12, 2020
15.	Automobile Wheel (1564)* (汽車輪轂(1564))	PRC	ZL 2019 3 0685060.5	Buyang Wheel	May 12, 2020
16.	Automobile Wheel (1550)* (汽車輪轂(1550))	PRC	ZL 2019 3 0685064.3	Buyang Wheel	May 12, 2020
17.	Automobile Wheel (D1567)* (汽車輪轂(D1567))	PRC	ZL 2019 3 0685435.8	Buyang Wheel	May 12, 2020

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
18.	Automobile Wheel (1570)* (汽車輪轂(1570))	PRC	ZL 2019 3 0685458.9	Buyang Wheel	May 12, 2020
19.	Automobile Wheel (1556)* (汽車輪轂(1556))	PRC	ZL 2020 3 0410136.6	Buyang Wheel	December 1, 2020
20.	Automobile Wheel (1508)* (汽車輪轂(1508))	PRC	ZL 2020 3 0410118.8	Buyang Wheel	December 1, 2020
21.	Automobile Wheel (1582)* (汽車輪轂(1582))	PRC	ZL 2020 3 0410753.6	Buyang Wheel	December 1, 2020
22.	Automobile Wheel (1109A)* (汽車輪轂(1109A))	PRC	ZL 2020 3 0410135.1	Buyang Wheel	December 1, 2020
23.	Automobile Wheel (1511)* (汽車輪轂(1511))	PRC	ZL 2020 3 0410117.3	Buyang Wheel	December 1, 2020
24.	Automobile Wheel (1583)* (汽車輪轂(1583))	PRC	ZL 2020 3 0410752.1	Buyang Wheel	December 1, 2020
25.	Automobile Wheel (1560)* (汽車輪轂(1560))	PRC	ZL 2020 3 0410133.2	Buyang Wheel	December 1, 2020
26.	Automobile Wheel (1544)* (汽車輪轂(1544))	PRC	ZL 2020 3 0410727.3	Buyang Wheel	December 1, 2020

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
27.	Automobile Wheel (1594)* (汽車輪轂(1594))	PRC	ZL 2020 3 0410165.2	Buyang Wheel	December 1, 2020
28.	Automobile Wheel (1592)* (汽車輪轂(1592))	PRC	ZL 2020 3 0410155.9	Buyang Wheel	December 1, 2020
29.	Automobile Wheel (1593)* (汽車輪轂(1593))	PRC	ZL 2020 3 0410154.4	Buyang Wheel	December 1, 2020
30.	Automobile Wheel (1526)* (汽車輪轂(1526))	PRC	ZL 2020 3 0410728.8	Buyang Wheel	December 8, 2020
31.	Automobile Wheel (1585)* (汽車輪轂(1585))	PRC	ZL 2020 3 0410171.8	Buyang Wheel	December 8, 2020
32.	Automobile Wheel (1510)* (汽車輪轂(1510))	PRC	ZL 2020 3 0410141.7	Buyang Wheel	December 8, 2020
33.	Automobile Wheel (1612)* (汽車輪轂(1612))	PRC	ZL 2020 3 0410164.8	Buyang Wheel	December 8, 2020
34.	Automobile Wheel (941-2095)* (汽車輪轂(941-2095))	PRC	ZL 2021 3 0230979.2	Buyang Wheel	July 30, 2021
35.	Automobile Wheel (956-1880)* (汽車輪轂(956-1880))	PRC	ZL 2021 3 0230978.8	Buyang Wheel	July 30, 2021

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
36.	Automobile Wheel (1050-1880)* (汽車輪轂(1050-1880))	PRC	ZL 2021 3 0231002.2	Buyang Wheel	July 30, 2021
37.	Automobile Wheel (1068-1780)* (汽車輪轂(1068-1780))	PRC	ZL 2021 3 0230980.5	Buyang Wheel	July 30, 2021
38.	Automobile Wheel (1669-2010)* (汽車輪轂(1669-2010))	PRC	ZL 2021 3 0229521.5	Buyang Wheel	July 30, 2021
39.	Automobile Wheel (1670-2210)* (汽車輪轂(1670-2210))	PRC	ZL 2021 3 0229300.8	Buyang Wheel	July 30, 2021
40.	Automobile Wheel (1681-2210)* (汽車輪轂(1681-2210))	PRC	ZL 2021 3 0229299.9	Buyang Wheel	July 30, 2021
41.	Automobile Wheel (1682-2010)* (汽車輪轂(1682-2010))	PRC	ZL 2021 3 0229297.X	Buyang Wheel	July 30, 2021
42.	Automobile Wheel (D1673-2095)* (汽車輪轂(D1673-2095))	PRC	ZL 2021 3 0229511.1	Buyang Wheel	July 30, 2021

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
43.	Automobile Wheel (1056-1990)* (汽車輪轂(1056-1990))	PRC	ZL 2021 3 0231000.3	Buyang Wheel	August 3, 2021
44.	Automobile Wheel (1195-1985)* (汽車輪轂(1195-1985))	PRC	ZL 2021 3 0231006.0	Buyang Wheel	August 3, 2021
45.	Automobile Wheel (1095-1880)* (汽車輪轂(1095-1880))	PRC	ZL 2021 3 0230563.0	Buyang Wheel	August 6, 2021
46.	Automobile Wheel (1176-1780)* (汽車輪轂(1176-1780))	PRC	ZL 2021 3 0231021.5	Buyang Wheel	August 6, 2021
47.	Automobile Wheel (1256-2010)* (汽車輪轂(1256-2010))	PRC	ZL 2021 3 0249703.9	Buyang Wheel	August 6, 2021
48.	Automobile Wheel (1257-1880)* (汽車輪轂(1257-1880))	PRC	ZL 2021 3 0249725.5	Buyang Wheel	August 6, 2021
49.	Automobile Wheel (1266-1990)* (汽車輪轂(1266-1990))	PRC	ZL 2021 3 0249710.9	Buyang Wheel	August 6, 2021

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
50.	Automobile Wheel (1304-1880)* (汽車輪轂(1304-1880))	PRC	ZL 2021 3 0249698.1	Buyang Wheel	August 6, 2021
51.	Automobile Wheel (1617-2085)* (汽車輪轂(1617-2085))	PRC	ZL 2021 3 0249728.9	Buyang Wheel	August 6, 2021
52.	Automobile Wheel (1660-2010)* (汽車輪轂(1660-2010))	PRC	ZL 2021 3 0229301.2	Buyang Wheel	August 6, 2021
53.	Automobile Wheel (D1197-2110)* (汽車輪轂(D1197-2110))	PRC	ZL 2021 3 0250014.X	Buyang Wheel	August 6, 2021
54.	Automobile Wheel (D1677-1880)* (汽車輪轂(D1677-1880))	PRC	ZL 2021 3 0249979.7	Buyang Wheel	August 6, 2021
55.	Automobile Wheel (1053-1880)* (汽車輪轂(1053-1880))	PRC	ZL 2021 3 0231001.8	Buyang Wheel	August 10, 2021
56.	Automobile Wheel (1121-1880)* (汽車輪轂(1121-1880))	PRC	ZL 2021 3 0230562.6	Buyang Wheel	August 10, 2021

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
57.	Automobile Wheel (1241-1880)* (汽車輪轂(1241-1880))	PRC	ZL 2021 3 0249700.5	Buyang Wheel	August 10, 2021
58.	Automobile Wheel (1248-1985)* (汽車輪轂(1248-1985))	PRC	ZL 2021 3 0249724.0	Buyang Wheel	August 10, 2021
59.	Automobile Wheel (1318-1985)* (汽車輪轂(1318-1985))	PRC	ZL 2021 3 0249720.2	Buyang Wheel	August 10, 2021
60.	Automobile Wheel (1383-1880)* (汽車輪轂(1383-1880))	PRC	ZL 2021 3 0249695.8	Buyang Wheel	August 10, 2021
61.	Automobile Wheel (1392-1880)* (汽車輪轂(1392-1880))	PRC	ZL 2021 3 0249702.4	Buyang Wheel	August 10, 2021
62.	Automobile Wheel (1416-1880)* (汽車輪轂(1416-1880))	PRC	ZL 2021 3 0249692.4	Buyang Wheel	August 10, 2021
63.	Automobile Wheel (1600-2085)* (汽車輪轂(1600-2085))	PRC	ZL 2021 3 0249689.2	Buyang Wheel	August 10, 2021

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
64.	Automobile Wheel (D983-1985)* (汽車輪轂(D983-1985))	PRC	ZL 2021 3 0250063.3	Buyang Wheel	August 10, 2021
65.	Automobile Wheel (D1057-2010)* (汽車輪轂(D1057-2010))	PRC	ZL 2021 3 0250070.3	Buyang Wheel	August 10, 2021
66.	Automobile Wheel (D1147-1985)* (汽車輪轂(D1147-1985))	PRC	ZL 2021 3 0250069.0	Buyang Wheel	August 10, 2021
67.	Automobile Wheel (D1667-1980)* (汽車輪轂(D1667-1980))	PRC	ZL 2021 3 0250082.6	Buyang Wheel	August 10, 2021
68.	Automobile Wheel (1356-1880)* (汽車輪轂(1356-1880))	PRC	ZL 2021 3 0249727.4	Buyang Wheel	August 17, 2021
69.	Automobile Wheel (D1018-1990)* (汽車輪轂(D1018-1990))	PRC	ZL 2021 3 0250076.0	Buyang Wheel	August 17, 2021
70.	Automobile Wheel (D1473-2010)* (汽車輪轂(D1473-2010))	PRC	ZL 2021 3 0250062.9	Buyang Wheel	August 17, 2021

No.	Title	Place of registration	Registration No.	Registered owner	Publication date
71.	Automobile Wheel (D1674-1980)* (汽車輪 轂(D1674-1980))	PRC	ZL 2021 3 0250037.0	Buyang Wheel	August 17, 2021

(c) **Internet domain**

As at the Latest Practicable Date, we were the registered owner of the following internet domain which may be material to our business:

No.	Domain Name	Registrant	Date of registration	Expiry date
1	bywheel.com	Buyang Wheel	February 26, 2008	February 26, 2024

Save as disclosed herein, there were no other trademarks, design patents or other intellectual property rights which are material to our business as at the Latest Practicable Date.

### 3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### A. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have or deemed or taken to have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of our Group:

#### *Interests or short positions in our Shares or underlying Shares*

Name of Shareholder	Nature of Interest	Number of Shares <sup>1</sup>	Approximate % of Interest in our Company	
			Assuming the Over-allotment Option is not Exercised	Assuming the Over-allotment Option is Exercised in Full
Mr. Xu	Interest in controlled corporation <sup>2</sup>	750,000,000(L)	75.00%	72.29%
Ms. Chen	Interest of spouse <sup>3</sup>	750,000,000(L)	75.00%	72.29%
TopSun <sup>4</sup>	Interest in controlled corporation <sup>2</sup>	750,000,000(L)	75.00%	72.29%
First Oriental <sup>4</sup>	Beneficial owner	750,000,000(L)	75.00%	72.29%

Notes:

1. (L) denotes long position.

2. As at the Latest Practicable Date, the entire shareholding interest of First Oriental was held by TopSun which was owned as to 70% by Mr. Xu and 30% by Ms. Chen. Accordingly, each of Mr. Xu and TopSun is deemed to be interested in all the Shares held by First Oriental under the SFO.
3. Ms. Chen is the spouse of Mr. Xu. Accordingly, Ms. Chen is deemed to be interested in all the Shares that Mr. Xu is interested in under the SFO.
4. Mr. Xu, our chairman and non-executive Director, is a director of each of TopSun and First Oriental.

Save as disclosed above, so far as it is known to our Directors, no person has an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of our Group.

## B. Directors

Save as disclosed below, immediately following the completion of the Global Offering, none of the Directors and the chief executive of our Company will have any interests or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules, to be notified to us and the Stock Exchange; or (iii) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

### (a) Interest in our Shares or underlying Shares

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares<sup>1</sup></u>	<u>Approximate Percentage of Interest in our Company<sup>2</sup></u>
Mr. Xu	Interest in controlled corporation <sup>3</sup>	750,000,000(L)	75.00%

Notes:

1. (L) denotes long position.
2. Without taking into account of any Share that may be issued upon the exercise of the Over-allotment Option.
3. Such 750,000,000 Shares are held by First Oriental, a company indirectly owned as to 70.0% by Mr. Xu. Accordingly, Mr. Xu is deemed to be interested in all the Shares held by First Oriental under the SFO.

*(b) Interest in associated corporations*

<u>Name of Director</u>	<u>Name of Associated Corporation</u>	<u>Nature of Interest</u>	<u>Number of Shares in/Registered Capital of the Associated Corporation<sup>1</sup></u>	<u>Approximately Percentage of Interest in the Associated Corporation</u>
Mr. Xu	First Oriental <sup>2</sup>	Interest in controlled corporation	50,000 shares (L)	100%
	TopSun <sup>2</sup>	Beneficial owner	35,000 shares (L)	100%
		Interest of spouse <sup>3</sup>	15,000 shares (L)	

Notes:

- (L) denotes long position.
- First Oriental is interested in 75% of the issued Shares and is wholly-owned by TopSun immediately following completion of the Capitalization Issue and the Global Offering (without taking into account of any Share that may be issued upon the exercise of the Over-allotment Option) and, accordingly, each of First Oriental and TopSun is a holding company of our Company within the meaning of the SFO.
- Such 15,000 shares of TopSun are held by Ms. Chen, the spouse of Mr. Xu. Accordingly, Mr. Xu is deemed to be interested in all the Shares held by Ms. Xu under the SFO.

**C. Particulars of Service Contracts and Appointment Letters***(a) Executive Directors*

Each of our executive Directors has entered into a service agreement with our Company under which they have agreed to act as our executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

*(b) Non-executive Directors*

Each of our non-executive Directors has signed a service agreement with our Company with no fixed term of appointment but subject to the retirement and re-election requirements under the Articles. Either party has the right to give not less than two months' written notice to terminate the letter of appointment.

*(c) Independent Non-executive Directors*

Each of our independent non-executive Directors has signed an appointment letter with our Company under which they have agreed to continue to act as our independent non-executive Directors for a further term of three years commencing from the Listing Date. Either party has the right to give not less than two months' written notice to terminate the letter of appointment.

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

**D. Directors' Remuneration**

The aggregate remuneration (including directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid to our Directors by us for the year ended December 31, 2021 was approximately RMB1.2 million. Details of the remuneration of our Directors during the Track Record Period are set out in Note 8 to the Accountants' Report in Appendix I to this prospectus.

Based on the arrangements currently in force, it is estimated that the aggregate directors' fees, salaries, allowance and benefits in kind and retirement scheme contributions, but excluding any commission or discretionary bonus, to be paid to our Directors by us will be approximately RMB1.5 million for the year ending December 31, 2022.

**E. Agency Fees or Commissions Paid or Payable**

None of the Directors had received any commissions, discounts, agency fees, brokerages or other special terms from us in connection with the issuance or sale of any our capital within the two years preceding the date of this prospectus.

**F. Disclaimers**

Save as disclosed in the sub-section headed "3. Further Information about our Directors and Substantial Shareholders — A. Substantial Shareholders", none of our Directors is a director or employee of a company which has an interest in our share capital that has to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the Listing as at the date of this prospectus.

**4. SHARE OPTION SCHEME**

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolution of our Sole Shareholder passed on November 18, 2022:

**A. Purpose**

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph B below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**B. Who may join**

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph F below to the following persons (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisors, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:
  - (aa) contribution to the development and performance of our Group;
  - (bb) quality of work performed for our Group;
  - (cc) initiative and commitment in performing his/her duties; and
  - (dd) length of service or contribution to our Group.

**C. Acceptance of an offer of options**

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs L, M, N, O and P, an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors of our Company or the approved independent financial advisor as the case may be pursuant to paragraph R, our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

**D. Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 100,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph R below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

**E. Maximum number of options to any one individual**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of our Company but subsequently canceled (the “**Canceled Shares**”)) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company to our Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to

such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of our Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
  - (aa) the Eligible Participant's name, address and occupation/position;
  - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
  - (cc) the date upon which an offer for an option must be accepted;
  - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph C;
  - (ee) the number of Shares in respect of which the option is offered;
  - (ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
  - (gg) the date of the expiry of the option;
  - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph C; and
  - (ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

#### **F. Price of Shares**

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, except that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

**G. Granting options to connected persons**

Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which such proposed grantees, their associates and all core connected persons of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of our Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to our independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

**H. Restrictions on the times of grant of Options**

An offer of the grant of an option may not be made after inside information has come to the knowledge of our Company until the information has been announced in accordance with the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (where our Company has elected to publish them),

and ending on the actual date of publication of the results announcement for such year, half year, quarterly or interim period (as the case may be).

**I. Rights are personal to grantee**

An option is personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (except that the grantee may nominate a nominee in whose name those Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

**J. Time of exercise of option and duration of the Share Option Scheme**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, except that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the Listing Date. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Listing Date.

**K. Performance target**

A grantee may be required to achieve certain performance targets as our Board may then specify before any options granted under the Share Option Scheme can be exercised.

**L. Rights on ceasing employment/death**

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph M below,

the option to the extent not already exercised on the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with our Group or any related entities, the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Group under paragraph M has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

**M. Rights on dismissal**

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made any arrangements or compromises with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable on and after the date of termination of his employment.

**N. Rights on takeover**

If a general or partial offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

**O. Rights on winding-up**

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

**P. Rights on compromise or arrangement between our Company and its members or creditors**

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior

to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full (but only upon the extent not already exercised).

**Q. Ranking of Shares**

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights including those arising on liquidation of our Company as attached to the other fully-paid Shares in issue on the date of issue, except that they will not rank for any rights for dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of allotment.

**R. Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options, the method of exercise of the options and/or the exercise price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

**S. Expiry of option**

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs L, N, O or P;
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph P becomes effective;
- (iv) subject to paragraph O, the date of commencement of the winding-up of our Company;
- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's termination of his relationship on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made arrangements or compromises with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph I above or the options are canceled in accordance with paragraph U below.

**T. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

**U. Cancellation of Options**

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is canceled pursuant to paragraph I.

**V. Termination of the Share Option Scheme**

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**W. Administration of our Board**

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (except as otherwise provided therein) shall be final and binding on all parties.

**X. Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Sole Global Coordinator) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme and to authorize our Board to grant options under the Share Option Scheme and to allot and issue Shares pursuant to exercise of any options; and
- (iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph X above are not satisfied within six calendar months from the date of approval of the Share Option Scheme by our Shareholders:

- (i) the Share Option Scheme shall forthwith terminate;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

**Y. Disclosure in annual and interim reports**

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Date of this Prospectus, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

**5. OTHER INFORMATION****A. Estate Duty**

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group in the Cayman Islands.

**B. Material Litigation**

Save as disclosed in “Business — Regulatory compliance and legal proceedings”, our Group is not involved in any litigation, arbitration, claims or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration, claims or administrative proceedings of material importance is pending or threatened against us as of the Latest Practicable Date.

**C. Deed of Indemnity**

The Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of its subsidiaries) whereby conditional on the conditions set out in the paragraph headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus having been fulfilled, the Controlling Shareholders shall give indemnities on a joint and several basis in respect of, among other matters:

- (a) any taxation, including estate duty, falling on any company of our Group in any part of the world resulting from or by reference to any income, profits or gains earned accrued or received on or before the Listing Date or any event on or before the Listing Date whether alone or in conjunction with other circumstances;
- (b) any liabilities paid or payable by any company of our Group in connection with any tax, duty, excise, customs, charges, fees or expenses in connection with the operation and/or business of our Group on or before the Listing Date;
- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines,

penalties incurred by any company of our Group in connection with any breach of laws, rules and regulations by any company of our Group on or before the Listing Date;

- (d) any liabilities, damages, costs, charges, fees, expenses and interests incurred by any company of our Group in connection with any legal action or proceeding of whatever nature and irrespective of where instituted which any company of our Group is a party of whatever capacity or otherwise involved, provided that the cause of action for such legal action or proceeding has occurred before the Listing Date;
- (e) without prejudice to the generality of the forgoing, any losses, liabilities, damages, costs, fees, expenses and interests incurred by any company of our Group in connection with the receipt of payment by any company of our Group from party other than the contracted customer of our Group before the Listing Date;
- (f) without prejudice to the generality of the forgoing, any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties incurred by any company of our Group in connection with Buyang Wheel's failure to obtain the environmental impact assessment approval in relation to its technological upgrade project between 2011 and 2012 until Buyang Wheel having obtained such approval from Jinhua Municipal Bureau of Ecology and Environment\* (金華市生態環境局) on January 2, 2020; and
- (g) without prejudice to the generality of the forgoing, any claims, fines or other liabilities and economic losses resulting from Buyang Wheel's failure to register for and/or contribute to social insurance fund and housing provident fund during the Track Record Period and up to the Listing Date as disclosed in "Business — Regulatory Compliance and Legal Proceedings — Non-compliance in relation to employee benefit",

save and except that the Controlling Shareholders shall be under no liability under the Deed of Indemnity:

- (a) to the extent that provision has been made for such taxation or liability in the audited consolidated accounts of our Group or the audited accounts of the relevant company of our Group as at May 31, 2022;
- (b) to the extent covered by any insurance policy taken out by the relevant company of our Group;
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the laws or regulations or practices by the relevant authorities coming into force after the Listing Date or to the extent that such claim arises or is increased by an increase in the rate of taxation after the Listing Date with retrospective effect;
- (d) to the extent that such taxation or liability is caused by the act or omission of, or transaction voluntarily effected by, any company of our Group which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after May 31, 2022;

- (e) to the extent that such taxation or liability would not have arisen but for any act or omission of any company of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected after the Listing Date; and
- (f) to the extent that any provision or reserve made for taxation in the accounts of our Group which is finally established to be an over-provision or an excessive reserve shall be applied to reduce the liabilities of the Controlling Shareholders.

#### D. The Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Division for the listing of, and permission to deal in, our Shares on the Stock Exchange.

The Sole Sponsor confirmed that it satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will charge a total amount of HK\$6.1 million to act as the sponsor in connection with the Listing.

#### E. Preliminary Expenses

The preliminary expenses relating to the incorporation of our Company are approximately RMB32,700 and are paid or payable by our Company.

#### F. Promotor

Our Company has no promoter for the purpose of the Listing Rules.

#### G. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (WUMP) Ordinance) who have given opinions or advice in this prospectus are as follows:

Name	Qualification
Zhongtai International Capital Limited	Licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
KPMG	Certified Public Accountants  Public Interest Entity Auditor recognized in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Name	Qualification
King & Wood Mallesons Beijing	Legal advisors as to PRC laws
Hogan Lovells	Legal advisors as to International Sanctions laws
Mr. Brian T.Y. Lo	Barrister-at-law in Hong Kong
KWM Europe LLP	Legal advisors as to English laws
King & Wood Mallesons Law Offices (Foreign Law Joint Enterprise)	Legal advisors as to Japanese laws
TGS Baltic	Legal advisors as to Lithuanian laws
Jackson, Etti & Edu	Legal advisors as to Nigerian laws
The Law Firm of Wael Alissa in association with Dentons & Co.	Legal advisors as to Saudi Arabian laws
Lee and Li, Attorneys-at-Law	Legal advisors as to Taiwanese laws
Trench & Associates DMCC	Legal advisors as to UAE laws
Yuan Law Group PC	Legal advisors as to U.S. laws

Save in connection with the Underwriting Agreements, each of the experts listed above (i) do not have any interest, either direct or indirect, in our promotion, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group, (ii) is not materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant to our business, and (iii) do not have any shareholding in any member of our Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

#### **H. Consent of Experts**

Each of the experts as referred to in the section headed “5. Other Information — G. Qualification of Experts” above in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the statement(s) made by it and/or contained in its report and/or letter and/or opinion (as the case may be) and references to its name included herein in the form and context in which it is included.

#### **I. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

**J. Other Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors is:
  - (i) interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; or
  - (ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant to our business;
- (b) within the two years preceding the date of this prospectus, (i) we have not issued nor agreed or proposed to issue any share or loan capital as fully or partly paid up either for cash or for a consideration other than cash; (ii) no commission, other than the commission to the Underwriters, had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any share in or debentures of our Company; and (iii) no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;
- (c) no share or loan capital is under option or is agreed conditionally or unconditionally to be put under option;
- (d) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (e) none of our equity and debt securities is listed on or dealt in any other stock exchange nor is any listing or permission to deal is being or is proposed to be sought;
- (f) there are no arrangements under which future dividends are waived or agreed to be waived;
- (g) there are no contracts for hire or hire purchase of any plant to or by us for a period of over one year which are substantial in relation to our business;
- (h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (i) we have no outstanding debenture or convertible debt securities; and
- (j) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

**K. Bilingual Prospectus**

The English and Chinese versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

In the case of any discrepancies between the English language version and the Chinese version of this prospectus, the English version shall prevail.

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in the paragraph headed “5. OTHER INFORMATION — H. Consent of Experts” in Appendix IV to this prospectus; and
- (c) copies of each of the material contracts referred to in the paragraph headed “2. FURTHER INFORMATION ABOUT OUR BUSINESS — A. Summary of Material Contracts” in Appendix IV to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [bywheel.com](http://bywheel.com) for a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report from KPMG in respect of the consolidated financial information of our Group for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the text of which is set forth in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022;
- (d) the report from KPMG in respect of the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the legal opinion issued by King & Wood Mallesons Beijing, our PRC Legal Advisors, in respect of general matters of our Group in the PRC;
- (g) the legal opinion issued by King & Wood Mallesons Beijing, our PRC Legal Advisors, in respect of certain property interests of our Group in the PRC;
- (h) the legal opinion issued by King & Wood Mallesons Beijing, our PRC Legal Advisors, in respect of certain aspects of PRC laws relating to third-party payments;
- (i) the legal opinion issued by Mr. Brian T.Y. Lo, our Hong Kong Legal Counsel, in respect of certain aspects of Hong Kong laws relating to third-party payments;

- (j) the legal opinion issued by KWM Europe LLP, our English Legal Advisors, in respect of certain aspects of U.K. laws relating to third-party payments;
- (k) the legal opinion issued by King & Wood Mallesons Law Offices (Foreign Law Joint Enterprise), our Japan Legal Advisors, in respect of certain aspects of Japanese laws relating to general compliance matters;
- (l) the legal opinion issued by TGS Baltic, our Lithuania Legal Advisors, in respect of certain aspects of Lithuanian laws relating to third-party payments;
- (m) the legal opinion issued by TGS Baltic, our Lithuania Legal Advisors, in respect of certain aspects of Lithuanian laws relating to general compliance matters;
- (n) the legal opinion issued by Jackson, Etti & Edu, our Nigeria Legal Advisors, in respect of certain aspects of Nigerian laws relating to third-party payments;
- (o) the legal opinion issued by The Law Firm of Wael Alissa in association with Dentons & Co., our Saudi Arabia Legal Advisors, in respect of certain aspects of Saudi Arabian laws relating to third-party payments;
- (p) the legal opinion issued by Lee and Li, Attorneys-at-Law, our Taiwan Legal Advisors, in respect of certain aspects of Taiwanese laws relating to third-party payments;
- (q) the legal opinion issued by Trench & Associates DMCC, our UAE Legal Advisors, in respect of certain aspects of UAE laws relating to third-party payments;
- (r) the legal opinion issued by Trench & Associates DMCC, our UAE Legal Advisors, in respect of certain aspects of UAE laws relating to general compliance matters;
- (s) the legal opinion issued by Yuan Law Group PC, our U.S. Legal Advisors, in respect of certain aspects of U.S. laws relating to third-party payments;
- (t) the legal opinion issued by Yuan Law Group PC, our U.S. Legal Advisors, in respect of certain aspects of U.S. laws relating to general compliance matters;
- (u) the international sanctions memorandum issued by Hogan Lovells, our International Sanctions Legal Advisors, in respect of International Sanctions laws in connection with the Listing;
- (v) the Frost & Sullivan Report;
- (w) the material contracts referred to in the paragraph headed “2. FURTHER INFORMATION ABOUT OUR BUSINESS — A. Summary of Material Contracts” in Appendix IV to this prospectus;

- (x) the written consents referred to in the paragraph headed “5. OTHER INFORMATION — H. Consent of Experts” in Appendix IV to this prospectus;
- (y) the service agreements and letters of appointment referred to in the paragraph headed “3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS — C. Particulars of Service Contracts and Appointment Letters” in Appendix IV to this prospectus;
- (z) the rules of the Share Option Scheme; and
- (aa) the Companies Act.

**BUYANG INTERNATIONAL HOLDING INC**  
**步陽國際控股有限公司**