The following is the text of a report set out on pages [I-1] to [I-3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[To insert the letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LUYUAN GROUP HOLDING (CAYMAN) LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Luyuan Group Holding (Cayman) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-79], which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022, the company balance sheets as at December 31, 2020, 2021 and 2022, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 (the "Track Record Period") 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-79] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") 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 the 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 sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 accountant's 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 accountant considers 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 sets out in Note 2.1 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 purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") 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 [40] to the Historical Financial Information which states that no dividends have been paid by Luyuan Group Holding (Cayman) Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period (the years ended December 31, 2020, 2021 and 2022), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Income Statements

	Note	Year ended December 31, 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	2,378,332	3,417,687	4,783,023
Cost of sales	*8*	(2,092,108)	(3,030,574)	(4,221,691)
Gross profit		286,224	387,113	561,332
Selling and marketing costs	*8*	(121,423)	(192,388)	(259,567)
Administrative expenses	*8*	(61,420)	(64,444)	(89,059)
Research and development costs	*8*	(83,521)	(95,826)	(150,498)
(Provision)/reversal of impairment on financial assets	*3.1.2(a)*	(6,174)	908	(1,650)
Other income	*6*	29,269	26,816	37,750
Other expense	*6*	(5,644)	(4,883)	(6,093)
Other gains – net	*7*	6,201	11,222	33,567
Operating profit		43,512	68,518	125,782
Finance income	*10*	6,739	8,142	21,038
Finance costs	*10*	(6,911)	(15,383)	(24,773)
Finance costs – net		(172)	(7,241)	(3,735)
Share of results of associates	*18*	(23)	314	201
Profit before income tax		43,317	61,591	122,248
Income tax expense	*12*	(3,036)	(2,331)	(4,218)
Profit for the year		40,281	59,260	118,030
Attributable to:				
Equity holders of the Company		40,293	59,260	118,030
Non-controlling interests		(12)	–	–
		40,281	59,260	118,030
Earnings per share for profit attributable to equity holders of the Company				
– Basic and diluted	*13*	1.26	1.85	3.69

Consolidated Statements of Comprehensive Income

		Year ended December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Profit for the year		40,281	59,260	118,030
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	*21*	403	167	209
Changes in the fair value of debt instruments at fair value through other comprehensive income,net of tax	*21*	(313)	(797)	731
Items that will not be reclassified to profit or loss:				
Exchange differences on translation of the Company	*21*	(742)	(226)	764
Total comprehensive income for the year		39,629	58,404	119,734
Attributable to:				
Equity holders of the Company		39,641	58,404	119,734
Non-controlling interests		(12)	–	–
		39,629	58,404	119,734

Consolidated Balance Sheets

	Note	As at December 31, 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	422,746	747,690	844,125
Right-of-use assets	*15*	60,773	95,084	95,722
Intangible assets	*16*	3,429	2,574	1,711
Investments in associates	*18*	929	1,243	1,444
Deferred income tax assets	*25*	14,734	21,143	17,029
Other receivables and prepayments	*24*	24,472	92,532	116,028
Time deposits	*26*	71,897	–	–
Lease receivables	*23*	–	–	9,976
		598,980	960,266	1,086,035
Current assets				
Inventories	*22*	208,489	388,071	445,672
Trade and notes and lease receivables	*23*	137,929	157,870	294,809
Other receivables and prepayments	*24*	171,415	316,075	132,632
Financial assets at fair value through profit or loss	*19*	63,564	428,027	533,565
Debt instruments at fair value through other comprehensive income	*20*	175,832	118,957	95,229
Time deposits	*26*	20,004	42,000	119,200
Restricted cash	*27*	16,665	32,615	81,820
Cash and cash equivalents	*27*	175,370	222,012	395,038
		969,268	1,705,627	2,097,965
Total assets		1,568,248	2,665,893	3,184,000
OWNERS' EQUITY				
Share capital	*33*	22	22	22
Reserves	*21*	232,321	241,883	247,217
Retained earnings		269,357	318,199	432,599
Capital and reserve attributable to equity holders of the Company		501,700	560,104	679,838
Total equity		501,700	560,104	679,838

		As at December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*32*	–	143,000	369,724
Provisions	*30*	705	1,689	2,432
Lease liabilities	*15*	1,085	448	2,310
Deferred income	*31*	14,085	20,803	14,558
		15,875	165,940	389,024
Current liabilities				
Trade and notes and other payables	*28*	818,943	1,306,601	1,704,646
Contract liabilities	*29*	57,132	82,888	96,384
Borrowings	*32*	155,912	523,051	286,862
Provisions	*30*	4,510	6,477	4,576
Lease liabilities	*15*	3,299	2,140	2,798
Income tax liabilities		10,877	18,692	19,872
		1,050,673	1,939,849	2,115,138
Total liabilities		1,066,548	2,105,789	2,504,162
Total equity and liabilities		1,568,248	2,665,893	3,184,000

Company Balance Sheets

	Note	As at December 31, 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Interests in subsidiaries	*39*	154,295	154,103	154,862
		154,295	154,103	154,862
Current assets				
Other receivables		2	59	5,500
Cash and cash equivalents		2,301	567	–
		2,303	626	5,500
Total assets		156,598	154,729	160,362
EQUITY				
Equity attributable to owners of the Company				
Share capital	*33*	22	22	22
Reserves	*39*	130,597	130,371	131,135
Retained earnings	*39*	25,979	24,207	22,811
Total equity		156,598	154,600	153,968
LIABILITIES				
Current liabilities				
Other payables		–	129	6,394
Total liabilities		–	129	6,394
Total equity and liabilities		156,598	154,729	160,362

Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000 *(Note 33)*	*RMB'000* *(Note 21)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		22	227,969	234,068	462,059	1,081	463,140
Comprehensive income							
Profit/(loss) for the year		–	–	40,293	40,293	(12)	40,281
Currency translation differences		–	(339)	–	(339)	–	(339)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	(313)	–	(313)	–	(313)
Total comprehensive income for the year		–	(652)	40,293	39,641	(12)	39,629
Transactions with owners in their capacity							
Disposal of subsidiaries	*11*	–	–	–	–	(1,069)	(1,069)
Appropriations to statutory reserve		–	5,004	(5,004)	–	–	–
Total transactions with owners in their capacity for the year		–	5,004	(5,004)	–	(1,069)	(1,069)
Balance at December 31, 2020		22	232,321	269,357	501,700	–	501,700

		Attributable to equity holders of the Company					
	Note	**Share capital**	**Other reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
		RMB'000 *(Note 33)*	*RMB'000* *(Note 21)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		22	232,321	269,357	501,700	–	501,700
Comprehensive income							
Profit for the year		–	–	59,260	59,260	–	59,260
Currency translation differences		–	(59)	–	(59)	–	(59)
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	(797)	–	(797)	–	(797)
Total comprehensive income for the year		–	(856)	59,260	58,404	–	58,404
Transactions with owners in their capacity							
Appropriations to statutory reserve		–	10,418	(10,418)	–	–	–
Total transactions with owners in their capacity for the year		–	10,418	(10,418)	–	–	–
Balance at December 31, 2021		22	241,883	318,199	560,104	–	560,104
Balance at January 1, 2022		22	241,883	318,199	560,104	–	560,104
Comprehensive income							
Profit for the year		–	–	118,030	118,030	–	118,030
Currency translation differences		–	973	–	973	–	973
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax		–	731	–	731	–	731
Total comprehensive income for the year		–	1,704	118,030	119,734	–	119,734
Transactions with owners in their capacity							
Appropriations to statutory reserve		–	3,630	(3,630)	–	–	–
Total transactions with owners in their capacity for the year		–	3,630	(3,630)	–	–	–
Balance at December 31, 2022		22	247,217	432,599	679,838	–	679,838

Consolidated Statements of Cash Flows

	Note	Year ended December 31,		
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Net cash (used in)/ generated from operations	*34(a)*	(14,464)	138,916	491,124
Interest received on bank deposits		6,738	8,143	21,038
Income tax paid		(2,645)	(2,671)	(2,270)
Net cash (used in)/generated from operating activities		(10,371)	144,388	509,892
Investing activities				
Interest received on loans to third parties, related parties and time deposits		8,361	4,045	4,625
Purchase of property, plant and equipment		(80,276)	(317,112)	(224,328)
Purchase of land use rights		(5,600)	(29,000)	(9,391)
Payments for financial assets at fair value through profit or loss		(1,602,900)	(1,124,664)	(285,954)
Proceeds from financial assets at fair value through profit or loss		1,660,379	856,959	198,357
Payments for time deposits		(150,000)	(42,800)	(224,340)
Proceeds from time deposits		126,086	10,800	147,140
Proceeds from government grants related to assets		14,214	7,483	8,000
Loans to third parties		(14,740)	(31,806)	–
Repayment of loans by third parties		7,852	21,321	34,866
Repayment of loans by a related party	*37(b)*	5,380	37,120	47,500
Proceeds from disposal of property, plant and equipment		182	192	3,562
Proceeds from disposal of associates	*18*	–	1,000	5,840
Proceeds from disposal of a subsidiary	*11, 24(b)*	–	43,940	27
Net cash used in investing activities		(31,062)	(562,522)	(294,096)

	Note	Year ended December 31, 2020	2021	2022
		RMB'000	RMB'000	RMB'000
Financing activities				
Interest paid		(6,665)	(14,596)	(24,633)
Proceeds from borrowings		649,293	950,688	913,363
Loan from related parties	*37(b)*	–	3,271	–
Repayment of loan from a related party		–	–	(3,271)
Repayments of borrowings		(628,493)	(470,888)	(922,888)
Principal and interest of lease payments		(5,764)	(3,624)	(2,935)
Payments for [**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Net cash generated from/(used in) financing activities		8,371	464,851	(44,864)
Net (decrease)/increase in cash and cash equivalents		(33,062)	46,717	170,932
Cash and cash equivalents at beginning of the year		209,504	175,370	222,012
Effect of foreign exchange rate changes, net		(1,072)	(75)	2,094
Cash and cash equivalents at end of the year	*27*	175,370	222,012	395,038

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Luyuan Group Holding (Cayman) Limited (the "Company") was incorporated in Cayman Islands on February 18, 2009 as an exempted company. The address of its registered office was 4th Floor Scotia Centre, George Town, Grand Cayman, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together with the Company, referred to as "the Group") are principally engaged in electric vehicle business (the "Listing Business") in the People's Republic of China (the "PRC").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

As at December 31, 2022, the Group's current liabilities exceeded its current assets by approximately RMB17,173,000 mainly due to the capital expenditures for business expansion of the Group. Directors of the Company have prepared cash flow forecast which covers a period of at least 12 months from December 31, 2022 and concluded that the Group will have sufficient net cash generated from operating activities and funds from bank financing to support the Group's operations and capital expenditures and meet its liabilities when they fall due without a significant of curtailment of operations in the foreseeable future. Accordingly, the Historical Financial Information are prepared on the going concern basis.

In preparing the Historical Financial Information, the Group has consistently adopted all standards and amendments that were effective for accounting periods beginning or before January 1, 2020, to the Group's Historical Financial Information throughout the Track Record Period.

The following new standards, amendments to existing standards and interpretation to existing standards that have not been early adopted by the Group:

		Effective for Accounting periods beginning on or after
HKFRS 17	Insurance contracts	January 1, 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to HKAS 8	Definition of accounting estimates	January 1, 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
Amendments to HKFRS 16	Lease liabilities in a sale and leaseback	January 1, 2024

The management is in the process of assessing the impact of these standards, on the Historical Financial Information of the Group. The adoption of the above is currently not expected to have a material impact on the Historical Financial Information of the Group.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

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

(b) Associates

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

(c) Equity accounting

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

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

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

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

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The chief operating decision maker of the Group consists of the executive directors.

2.6 Foreign currency translation

(a) Functional and presentation currency

The functional currency of the Company is United States dollar ("USD") which is the currency of the primary environment in which the Company operates. The functional currency of the group entities located in the PRC is Renminbi ("RMB") in which most of the transactions are denominated. The consolidated financial statements are presented in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial positions of some group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the group entities are translated at the closing rate at the date of that consolidated balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such in vestments, are recognized in other comprehensive income (OCI). When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to consolidated income statement during the Track Record Period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20-30 years
– Motor vehicles	2-5 years
– Machinery & equipment	3-12 years
– Office equipment	3-5 years
– Decoration	2-5 years
– Leasehold improvement	shorter of useful life or lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

Construction-in-progress is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.8 Intangible assets

(a) Software and patent

Separately acquired software and patent are shown at historical cost. These assets have finite useful lives, and are measured at costs less accumulated amortization. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

– Software	3-5 years

(b) Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the patent so that it will be available for use;
- Management intends to complete the patent and use or sell it;
- There is an ability to use or sell the patent;
- It can be demonstrated how the patent will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patent are available; and
- The expenditure attributable to the patent during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the patent include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

No research and development expenditures were capitalised during the Track Record Period.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidation income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss recognized recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidation income statement.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 Financial Instruments ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1.2 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. See Note 3.1.2 for further details.

2.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and notes receivables and other receivables

Trade and notes receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Credit period is only provided to some customers that have good credit history. They are generally due for settlement within 180 days and therefore all classified as current. Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value.

Other receivables are amounts generally arise from transactions outside the usual operating activities of the Group.

The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 3.1 for a description of the Group's impairment policies.If collection of trade and notes and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group holds the notes receivables for both collection of contractual cash flows and selling purpose. If selling of the notes receivables meets the definition of derecognition of financial assets, notes receivables are measured at FVOCI. Otherwise, notes receivables are measured at amortized cost using the effective interest method.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the [**REDACTED**].

2.15 Trade and notes payables and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.17 Employee benefit

2.17.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

2.17.2 Post-employment obligations

The Group operates post-employment schemes via defined contribution pension plans. The Group pays contributions to publicly administered pension insurance plans on a mandatory or voluntary basis in the PRC. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.17.3 Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.18 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group identified several performance obligations which are to sell products to the Group's distributors or directly to customers, to provide services to distributors.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Sales of products

The Group generates revenue from sales of electric bicycles, electric mopeds, electric motorcycles, batteries and charges and electric two-wheeled vehicle parts through domestic and overseas distributors, corporate and institutional customers, third party e-commerce platforms or self-operated online stores. The sales of products are recognized at a point in time, usually upon the acceptance by the customers.

When the Group sells its products through third-party e-commerce platforms, corporate and institutional customers, domestic and overseas distributors, they are the customers of the Group as they obtain control of the products before selling to end customers. Domestic and overseas distributors are generally required to pay advance before the acceptance of the products. A contract liability is recognized for the advance payment. Revenue from sales of products is recognized at a point in time when control of the products is transferred, usually upon the acceptance at the Group's warehouse by domestic distributors or the named place by third-party e-commerce platforms and corporate and institutional customers. Revenue from sales of products through overseas distributors is recognized when the products pass the ship's rail at the named port of shipment with FOB term.

When the Group sells its products to individual customers through its self-operated online stores, either established by the Group or established on third-party e-commerce platforms, revenue is recognized at a point in time when the products are accepted by the individual customers. Commission paid to third-party commerce platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

The Group provides sales volume rebate to domestic distributors. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate the provision for the volume rebates, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Group also provides reimbursement for store decoration to domestic distributors, which are in substance payment to customer. The reimbursement without committed sales volume is directly deducted from revenue, and the reimbursement with committed sales volume is capitalized as prepayment to domestic distributors and subsequently deducted from revenue which consistent with the method to recognise revenue from sales of products.

Sales returns are estimated based on historical experiences, which were insignificant for the years ended December 31, 2020, 2021 and 2022.

Provision of services

The Group generates revenue from training service and other services. Revenue from training service and other services are recognized when the services are rendered, which is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Loyalty programme

The Group operates a loyalty programme where domestic distributors accumulate points for purchases made which entitle them to discounts on future purchases from the Group. A contract liability for the award points is recognized at the time of sale. Revenue is recognized when the points are redeemed.

Sales of goods to customer under a finance lease as a manufacturer lessor

The Group sells goods to certain customer under a finance lease as a manufacturer lessor. A manufacturer lessor is a lessor that manufactures the leased assets as part of its dealing activities. A manufacturer lessor that enters into a finance lease with a customer recognizes selling profit or loss in income as follows:

- Revenue is the fair value of the underlying assets or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest.

- Cost of sale is the cost, or carrying amount (if different), of the underlying asset, less the present value of the unguaranteed residual value.

- Selling profit or loss is the difference between revenue and the cost of sale, recognized in accordance with an entity's policy for outright sales to which HKFRS 15 applies.

Payment to distributors

Consideration payable to a customer should be deducted from revenue unless the payment to a customer is in exchange for a distinct good or service that the customer transfer to the entity. The Group paying for the store decoration fee to decoration companies for distributors is, in substance, a payment on behalf of customer. As the Group does not receive any distinct goods or services from distributors, the payment should be deducted from revenue.

When distributors have committed a minimum sales amount which in turn would request a minimum purchase amount from the Group, the payment is capitalized as "prepayment to distributors" and deducted from revenue on a systematic basis that is consistent with the transfer to the distributors of the goods. When distributors have not committed a minimum sales/purchase amount, the payment is deducted from revenue directly.

2.19 Interest income

Interest income from financial assets at FVTPL is included in other gains/(losses) on these assets, see Note 7.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss as part of other income.

Except for interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (see Note 10), any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.20 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the entity, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipments and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.21 Provisions

Provisions for legal claims and quality assurance warranties are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.23 Dividend distribution

Dividends are made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risks), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Market Risk

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market and investments in Vietnam. Foreign currency risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD and Hong Kong Dollar ("HKD").

The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

	Assets		
	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
USD			
– Cash and cash equivalents	3,344	3,605	–
– Trade receivables	3,930	1,636	2,729
HKD			
– Cash and cash equivalents	42	169	288

	Liabilities		
	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
HKD			
– Trade and other payables	54	124	–

	Impact on profit after tax		
	Year ended December 31,		
	2020	2021	2022
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
	RMB'000	*RMB'000*	*RMB'000*
RMB – USD			
Appreciation of RMB by 5%	(273)	(197)	108
Depreciation of RMB by 5%	273	197	(108)
RMB – HKD			
Appreciation of RMB by 5%	–	(2)	11
Depreciation of RMB by 5%	–	2	(11)

Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets except for cash and cash equivalents, time deposits and restricted cash measured at amortized cost.

Bank borrowings obtained at variable rates expose the Group to cash flow interest-rate risk and bank borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. As at December 31, 2020, 2021 and 2022, if interest rates on borrowings with floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax loss/gain of the Group for the year ended December 31, 2020, 2021 and 2022 would have changed as follows:

	Impact on profit after tax		
	Year ended December 31,		
	2020	2021	2022
	Decrease/ (increase)	*Decrease/ (increase)*	*Decrease/ (increase)*
	RMB'000	*RMB'000*	*RMB'000*
50 basis points higher	330	83	935
50 basis points lower	(330)	(83)	(935)

As at December 31, 2020, 2021 and 2022, the Group's lease liabilities were all carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

3.1.2 Credit risk and impairment assessment

Impairment of financial assets

The Group is exposed to credit risk in relation to its cash, restricted cash, time deposits, trade and notes and lease receivables, other receivables and financial assets measured at FVTPL as well as financial assets measured at FVOCI. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group performed impairment assessment for financial assets and other items under Expected Credit Loss ("**ECL**") model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, is summarized as below:

Cash, restricted cash and time deposits

To manage this risk, the Group only makes transactions with state-owned banks, reputable commercial banks in the PRC and reputable international banks outside of the PRC which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these banks. The expected credit loss is closed to zero.

Trade receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that followup actions are taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivables balances on provision matrix, the trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories of recurring customers and ageing of the new customers.

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. As the credit period is only provided to some customers that have good credit history and the Group evaluates the performance of each customer annually, the Group determines the expected credit losses on these items by using provision matrix, grouped by aging based on revenue recognition date and the value of the pledged asset received from the customers.

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As at December 31, 2020, 2021 and 2022, on that basis, the loss allowance was determined as follows for trade receivables:

1) Individual basis

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020	–	(374)	(1,773)	(11,450)	(13,597)
December 31, 2021	(296)	(3)	(342)	(3,949)	(4,590)
December 31, 2022	–	–	–	(3,925)	(3,925)

The expected loss rate on the individual basis was 100% in the Track Record Period.

2) Trade receivables with collateral

December 31, 2020	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.22%	1.70%	–	–	
Gross carrying amount	33,564	12,435	–	–	45,999
Loss allowance provision	(74)	(211)	–	–	(285)

December 31, 2021	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	1.09%	4.86%	14.52%	–	
Gross carrying amount	57,362	11,931	1,771	–	71,064
Loss allowance provision	(625)	(580)	(257)	–	(1,462)

December 31, 2022	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.12%	0.73%	3.30%	–	
Gross carrying amount	69,554	2,002	2,540	–	74,096
Loss allowance provision	(83)	(15)	(84)	–	(182)

3) Trade receivables without collateral

December 31, 2020	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	7.65%	56.89%	80.12%	100.00%	
Gross carrying amount	68,355	5,210	7,669	2,210	83,444
Loss allowance provision	(5,225)	(2,964)	(6,145)	(2,210)	(16,544)

December 31, 2021	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	6.91%	63.57%	89.05%	100.00%	
Gross carrying amount	60,872	92	5,047	7,348	73,359
Loss allowance provision	(4,209)	(59)	(4,494)	(7,348)	(16,110)

December 31, 2022	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	5.21%	68.02%	93.83%	100.00%	
Gross carrying amount	98,007	1,979	18	11,639	111,643
Loss allowance provision	(5,103)	(1,346)	(17)	(11,639)	(18,105)

The loss allowances for trade receivables at December 31, 2020, 2021 and 2022 as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	(43,423)	(30,426)	(22,162)
(Provision)/reversal for impairment	(4,141)	5,690	(1,277)
Receivables written off as uncollectible	17,138	2,574	1,227
At end of year	(30,426)	(22,162)	(22,212)

Lease receivables

December 31, 2022	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.56%	–	–	–	
Gross carrying amount	19,417	–	–	–	19,417
Loss allowance provision	(498)	–	–	–	(498)

The loss allowances for lease receivables at December 31, 2020, 2021 and 2022 as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	–	–	–
Provision for impairment	–	–	(498)
Receivables written off as uncollectible	–	–	–
At end of year	–	–	(498)

Other receivables

Other receivables mainly comprise deposits and others. For other receivables, the Directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The loss allowance at December 31, 2020, 2021 and 2022 are as follows:

December 31, 2020	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Stage1			
Included in current assets			
Loans to a related party	1.90%	95,620	(1,820)
Loans to third parties	1.87%	13,331	(249)
Deposits	2.40%	1,061	(25)
Others	3.18%	1,511	(48)
Included in non-current assets			
Deposits	2.40%	1,165	(28)
Loans to third parties	1.87%	11,260	(210)
		123,948	(2,380)
Stage3			
Included in current assets			
Receivables from disposal of a subsidiary	4.75%	48,000	(2,280)
Receivables from disposal of land use right	100%	20,000	(20,000)
Loans to third parties	100%	5,600	(5,600)
Others	100%	7,784	(7,784)
		81,384	(35,664)
		205,332	(38,044)

December 31, 2021	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Stage1			
Included in current assets			
Loans to third parties	4.85%	34,996	(1,698)
Deposits	2.38%	1,108	(26)
Others	2.98%	905	(27)
Included in non-current assets			
Deposits	2.38%	1,196	(28)
		38,205	(1,779)
Stage2			
Loans to a related party *(a)*	5.31%	58,500	(3,108)
Stage3			
Included in current assets			
Receivables from disposal of land use right	100%	20,000	(20,000)
Loans to third parties	100%	6,066	(6,066)
Others	100%	7,784	(7,784)
		33,850	(33,850)
		130,555	(38,737)

December 31, 2022	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Stage1			
Included in current assets			
Deposits	2.71%	1,360	(37)
Others	3.02%	1,313	(39)
Included in non-current assets			
Deposits	2.71%	1,496	(40)
		4,169	(116)
Stage3			
Included in current assets			
Loans to a related party *(b)*	42.61%	11,000	(4,688)
Receivables from disposal of land use right	100.00%	20,000	(20,000)
Loans to third parties	100.00%	5,648	(5,648)
Others	100.00%	7,784	(7,784)
		44,432	(38,120)
		48,601	(38,236)

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	(36,576)	(38,044)	(38,737)
(Provision)/reversal for impairment	(2,003)	(4,753)	474
Write-off amount	535	4,060	27
At end of year	(38,044)	(38,737)	(38,236)

Notes:

(a) On December 31 2021, the loan to a related party was overdue for the first time since initial recognition. Due to the credit risk of the financial instrument has significantly increased while no credit impairment has occurred, the loan was transferred to stage 2. The corresponding ECL rate increased to 5.31% considering of the recoverable amount from the collateral of real estate.

(b) On December 31 2022, the loan was overdue over 1 year with the financial difficulty of the related party. As a result, the loan turned to be credit-impaired financial asset and transferred to stage 3. The corresponding ECL rate increased to 42.61% considering of the recoverable amount from the collateral of real estate.

Notes receivables

For notes receivables, the Directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The loss allowance at December 31, 2020, 2021 and 2022 are as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	25,358	31,088	118,850
Expected loss rate	0.17%	0.22%	0.37%
Loss allowance	(43)	(69)	(436)

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	(24)	(43)	(69)
Provision of impairment	(19)	(26)	(367)
At end of year	(43)	(69)	(436)

Debt instruments at fair value through other comprehensive income

The loss allowance at December 31, 2020, 2021 and 2022 as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fair value	176,036	119,164	95,418
Expected loss rate	0.11%	0.17%	0.20%
Loss allowance	(204)	(207)	(189)

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	(193)	(204)	(207)
(Provision)/reversal of impairment	(11)	(3)	18
At end of year	(204)	(207)	(189)

No other financial assets carry a significant exposure to credit risk.

3.1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The amount disclosed in the table is the contractual undiscounted cash flows.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020					
Borrowings, principal *(Note 32)*	155,912	–	–	–	155,912
Interest payments on borrowings	2,509	–	–	–	2,509
Trade and notes payables *(Note 28)*	692,731	–	–	–	692,731
Other payables excluding accrued payroll and other taxes *(Note 28)*	67,376	–	–	–	67,376
Lease liabilities *(Note 15)*	3,426	855	257	–	4,538
	921,954	855	257	–	923,066
As at December 31, 2021					
Borrowings, principal *(Note32)*	523,051	93,000	50,000	–	666,051
Interest payments on borrowings	8,669	6,840	6,819	–	22,328
Trade and notes payables *(Note 28)*	1,062,652	–	–	–	1,062,652
Other payables excluding accrued payroll and other taxes *(Note 28)*	177,055	–	–	–	177,055
Lease liabilities *(Note 15)*	2,209	454	–	–	2,663
	1,773,636	100,294	56,819	–	1,930,749
As at December 31, 2022					
Borrowings, principal *(Note 32)*	286,862	116,124	253,600	–	656,586
Interest payments on borrowings	4,804	8,972	24,784	–	38,560
Trade and notes payables *(Note 28)*	1,495,834	–	–	–	1,495,834
Other payables excluding accrued payroll and other taxes *(Note 28)*	109,630	–	–	–	109,630
Lease liabilities *(Note 15)*	2,932	1,707	671	–	5,310
	1,900,062	126,803	279,055	–	2,305,920

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium and other reserves on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the Directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020, 2021 and 2022.

The gearing ratios at December 31, 2020, 2021 and 2022 of the Group were as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	155,912	666,051	656,586
Leases liabilities	4,384	2,588	5,108
Total debt	160,296	668,639	661,694
Total equity	501,700	560,104	679,838
Gearing ratio	32%	119%	97%

The increase in gearing ratio from December 31, 2020 to December 31, 2021 were mainly resulted from the increase in borrowings.

The decrease in gearing ratio from December 31, 2021 to December 31, 2022 was mainly resulted from the increase of retained earnings.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at December 31, 2020, 2021 and 2022 by level of the inputs to valuation techniques used to measure fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020				
Wealth management products, structured deposits and certificate of deposits	–	31,720	31,844	63,564
Debt instruments at fair value through other comprehensive income	–	–	175,832	175,832
Total	–	31,720	207,676	239,396

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021				
Wealth management products, structured deposits and certificate of deposits	–	90,102	337,925	428,027
Debt instruments at fair value through other comprehensive income	–	–	118,957	118,957
Total	–	90,102	456,882	546,984
December 31, 2022				
Wealth management products, structured deposits and certificate of deposits	–	63,520	470,045	533,565
Debt instruments at fair value through other comprehensive income	–	–	95,229	95,229
Total	–	63,520	565,274	628,794

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The valuation technique is discounted cash flows that reflects the credit risk of various counterparties.

(c) Financial instruments in level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The following table presents the changes in level 3 items as at December 31, 2020, 2021 and 2022:

	Wealth management products, structured deposits and certificate of deposits	**Notes receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Net opening balance as at January 1, 2020	90,341	36,003	126,344
Acquisitions	877,510	569,975	1,447,485
Redemption	(944,681)	(429,717)	(1,374,398)
Net fair value gains on financial assets at FVTPL	8,674	–	8,674
Change in fair value through OCI	–	(418)	(418)
Change in ECL	–	(11)	(11)
Net closing balance as at December 31, 2020	31,844	175,832	207,676

	Wealth management products, structured deposits and certificate of deposits	**Notes receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Net opening balance as at January 1, 2021	31,844	175,832	207,676
Acquisitions	705,402	723,007	1,428,409
Redemption	(414,178)	(778,816)	(1,192,994)
Net fair value gains on financial assets at FVTPL	14,857	–	14,857
Change in fair value through OCI	–	(1,063)	(1,063)
Change in ECL	–	(3)	(3)
Net closing balance as at December 31, 2021	337,925	118,957	456,882

	Wealth management products, structured deposits and certificate of deposits	Notes receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
Net opening balance as at January 1, 2022	337,925	118,957	456,882
Acquisitions	205,258	324,960	530,218
Redemption	(90,408)	(349,681)	(440,089)
Net fair value gains on financial assets at FVTPL	17,270	–	17,270
Change in fair value through OCI	–	975	975
Change in ECL	–	18	18
Net closing balance as at December 31, 2022	470,045	95,229	565,274

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of below financial instruments:

	Fair value				Range of inputs			
	As at December 31,				Year ended December 31,			
Description	2020	2021	2022	Significant unobservable inputs	2020	2021	2022	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*					
Wealth management products and structured deposits and certificate of deposits	31,844	337,925	470,045	Expected rate of return	2.33%~4.83%	2.76%~3.35%	1.45%~4.00%	The higher the expected rate, the higher the fair value
Notes receivables	175,832	118,957	95,229	Discount rate	2.32%~3.11%	2.51%~2.75%	2.40%~2.63%	The higher the discount rate, the lower the fair value

If the expected rate of return had been 10% higher/lower, the fair values of wealth management products for the years ended December 31, 2020, 2021 and 2022 would have been approximately RMB114,000, RMB1,029,000 and RMB1,280,000 higher/lower, respectively.

If the discount rate had been 10% higher/lower, the fair values of notes receivables for the years ended December 31, 2020, 2021 and 2022 would have been approximately RMB476,000, RMB312,000 and RMB148,000 lower/higher, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Current and deferred income tax

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for corporate income tax. There are transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that we initially recorded, such difference will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

4.2 Impairment of trade receivables and other receivables

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables and with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

5 REVENUE AND SEGMENT REPORTING

5.1 Disaggregation of revenue from contract with customers

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	2,355,924	3,364,707	4,727,769
Revenue from services	22,408	52,980	55,254
	2,378,332	3,417,687	4,783,023
Timing of revenue recognition			
At point in time	2,355,924	3,364,707	4,727,769
Over time	22,408	52,980	55,254
	2,378,332	3,417,687	4,783,023

Information about major customers

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	390,518	N/A (Note (a))	N/A (Note (a))

Note (a): In 2021 and 2022, no individual customer's revenue contributed over 10% of the Group's revenue.

5.2 Segment information

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

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

Geographical information

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

6 OTHER INCOME AND EXPENSE

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Income of obsolete material and work in progress	5,595	9,016	8,041
Income of operating lease	1,131	845	1,520
Interest income from related and third parties	6,159	3,463	31
Interest income from time deposits	3,822	729	2,399
Government grants (Note)	11,576	10,194	20,549
Others	986	2,569	5,210
	29,269	26,816	37,750
Other expense			
Cost of obsolete material and work in progress	(5,362)	(3,050)	(4,475)
Others	(282)	(1,833)	(1,618)
	(5,644)	(4,883)	(6,093)

Note: The government grants mainly represented the general support, the subsidies for stabilizing employment and tax refunds, etc. from local government.

7 OTHER GAINS – NET

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Exchange (losses)/gains	(733)	(16)	1,121
Fair value changes on financial assets at fair value through profit or loss	8,674	14,857	19,588
Donation	(1,842)	(372)	(671)
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(1,897)	(761)	1,706
Gains from disposal of a subsidiary *(Note 11)*	–	–	27
Gains from disposal of associates *(Note 18)*	–	–	6,840
Others – Net	1,999	(2,486)	4,956
	6,201	11,222	33,567

8 EXPENSES BY NATURE

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

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables used	1,934,551	2,792,874	3,919,913
Employee benefits expenses *(Note 9)*	140,051	201,046	293,055
Advertising expense	30,514	79,579	79,521
Outsourcing labor fee	78,949	100,161	122,990
Freight	12,303	32,302	40,772
Travel expense	15,038	23,091	33,338
Consulting costs	10,392	10,781	26,688
Depreciation of property, plant and equipment *(Note 14)*	51,989	56,117	69,950
Amortization of intangible assets *(Note 16)*	1,077	969	957
Depreciation of right-of-use assets *(Note 15)*	6,712	6,318	4,504
Expense relating to short-term leases or low value leases *(Note 15)*	2,123	3,048	6,613
Design fee	25,339	25,574	35,583
Warranty	3,328	5,121	6,601
Tax and surcharges	11,289	13,240	18,571
Office expense	17,624	16,945	19,570
Expense relating to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Auditors' remuneration			
– Audit services	282	359	279
– Non-audit services	–	127	17
Other expenses	16,911	15,375	26,806
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	2,358,472	3,383,232	4,720,815

9 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	130,583	185,386	267,006
Defined contribution plans	6,926	10,819	17,984
Other social security costs, housing benefits and other employee benefits	2,542	4,841	8,065
	140,051	201,046	293,055

The employees of the Group in the PRC are members of state-managed defined contribution scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, due to the impact from Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly. During the Track Record Period, no forfeited contributions were utilized by the Group to reduce its contributions.

(a) Directors' emoluments

	For the year ended December 31, 2020		
	Salaries and other allowance	**Retirement benefit scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	495	46	541
Ms. Hu Jihong	460	–	460
Mr. Chen Guosheng	376	13	389
Non-executive director:			
Mr. Wang Wenyong	–	–	–
	1,331	59	1,390

	For the year ended December 31, 2021		
	Salaries and other allowance	**Retirement benefit scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	516	38	554
Ms. Hu Jihong	480	–	480
Mr. Chen Guosheng	396	13	409
Non-executive director:			
Mr. Wang Wenyong	–	–	–
	1,392	51	1,443

	For the year ended December 31, 2022		
	Salaries and other allowance	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Ni Jie	1,372	–	1,372
Ms. Hu Jihong	1,092	–	1,092
Mr. Chen Guosheng	1,152	16	1,168
Non-executive director:			
Mr. David R. Dingman	–	–	–
Mr. Wang Wenyong	–	–	–
Mr. Peng Haitao	–	–	–
Mr. Liu Bobin	–	–	–
Mr. Wu Xiaoya	–	–	–
	3,616	16	3,632

(i) Mr. Wang Wenyong resigned from his position as a non-executive director, with effect from April 8, 2022. Mr. Wang Wenyong was appointed as non-executive director by Shipston Electric Vehicle Limited ("Shipston", shareholder of the company), who resigned from Shipston on April 8, 2022 and resigned from the non-executive director of the Group.

Shipston appointed Mr. David R. Dingman as non-executive director as the replacement of Mr. Wang Wenyong.

(ii) Mr. David R. Dingman was appointed as a non-executive director of the Company with effect from April 8, 2022.

(iii) Mr. Peng Haitao, Mr. Liu Bobin and Mr. Wu Xiaoya were appointed as independent non-executive directors of the Company on July 1, 2022.

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as the directors.

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the years.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years include three directors whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining two individuals during the years are as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	757	803	1,791
Social security costs, housing benefits and other employee benefits	36	36	37
	793	839	1,828

The number of the highest paid employees who are not directors whose remuneration fell within the following band is as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
Nil to HKD500,000	2	2	–
HKD500,000 to HKD1,000,000	–	––	2
	2	2	2

10 FINANCE COSTS – NET

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance costs			
- Interest on bank loans and other loans	(6,609)	(15,200)	(24,682)
- Interests on lease liabilities	(302)	(183)	(91)
Total finance costs	(6,911)	(15,383)	(24,773)
Finance income			
- Interest income on bank deposits	6,739	8,142	21,038
Net finance costs	(172)	(7,241)	(3,735)

11 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at December 31, 2020, 2021 and 2022 are as follows:

Name of subsidiaries	Place of registration	Date of registration	Authorized shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power				Principal activities	*Note*
					As at December 31,			As the date of this report		
					2020	2021	2022			
Luyuan International Limited	British Vrigrn Island	February 16, 2009	USD1	USD1	100%	100%	100%	100%	Investment holding	*(i)*
Luyuan International (Hong Kong) Limited	Hong Kong, the PRC	February 24, 2009	HKD10,000,000	HKD10,000,000	100%	100%	100%	100%	Investment holding	*(v)*
Zhejiang Luyuan Electric Vehicle Co., Ltd. ("Zhejiang Luyuan")	Jinhua, the PRC	May 12, 2003	USD12,000,000	USD12,000,000	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(ii)*
Zhejiang Luyuan Information Technology Co., Ltd.	Jinhua, the PRC	May 28, 2015	RMB80,000,000	RMB80,000,000	100%	100%	100%	100%	Sale of electric vehicles and accessories	*(ii)*
Luyuan Electric Vehicle (Shandong) Co., Ltd. ("Shandong Luyuan")	Linyi, the PRC	August 25, 2008	RMB400,000,000	RMB400,000,000	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(iii)*
Luyuan Electric Vehicle (Guangdong) Co., Ltd. ("Guangdong Luyuan")	Dongguan, the PRC	March 26, 2013	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(iv), (vi)*
Guangxi Luyuan Electric Vehicle Co., Ltd. ("Guangxi Luyuan")	Guigang, the PRC	August 28, 2019	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(iv)*
Jinhua Yicheng Trading Co., Ltd. ("Jinhua Yicheng")	Jinhua, the PRC	July 15, 2015	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	Manufacture of electric vehicles and accessories	*(ii)*

Name of subsidiaries	Place of registration and operations	Date of registration	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power				Principal activities	*Note*
					As at December 31,			As the date of this report		
					2020	2021	2022			
Zhejiang Jinhongzi Information Technology Co., Ltd.	Jinhua, the PRC	April 7, 2015	RMB289,000,000	RMB289,000,000	100%	100%	–	–	Investment holding	*(i), (vi)*
Zhejiang Hongzi Information Technology Co., Ltd.	Jinhua, the PRC	April 29, 2015	RMB88,000,000	RMB88,000,000	100%	100%	–	–	Investment holding	*(i), (vi)*
LYVA COMPANY LIMITED	Vietnam	July 27, 2015	VND21,875,862,120	VND21,875,862,120	100%	100%	–	–	Sale of electric vehicles and accessories	*(i), (ix)*
Jiangsu Luyuan Motor Vehicle Technology Co., Ltd. ("Jiangsu Motor Luyuan")	Xuzhou, the PRC	March 18, 2019	RMB20,000,000	–	100%	100%	–	–	Manufacture of electric vehicles and accessories	*(i), (vi)*
Ludong (Jinhua) New Energy Technology Co., Ltd. ("Ludong (Jinhua)")	Jinhua, the PRC	August 16, 2021	RMB35,000,000	RMB35,000,000	–	100%	100%	100%	Manufacture and sale of batteries	*(i), (vii)*
Zhejiang Luyuan International Trade Co., Ltd.	Jinhua, the PRC	March 22, 2022	RMB10,000,000	–	–	–	100%	100%	Import and export of goods	*(i), (viii)*
Luyuan Technology Holding (Zhejiang) Co., Ltd.	Jinhua, the PRC	December 7, 2021	RMB50,000,000	–	–	100%	100%	100%	Investment holding	*(i), (viii)*
Anhui Baijiayu Luyuan Electric Vehicle Sales Co., Ltd. ("Anhui Baijiayu")	Hefei City, the PRC	June 25, 2012	RMB5,000,000	RMB5,000,000	–	–	–	–	Sale of electric vehicles and accessories	*(i), (vi)*

Notes:

(i) No audited financial statements have been prepared for these entities for the years ended December 31, 2020 and 2021.

(ii) The statutory financial statements of those companies for the year ended December 31, 2020 and 2021 were audited by Jinhua Antai Certified Public Accountant Co., Ltd.. No audited financial statements have been prepared for these entities for the year ended December 31, 2022.

(iii) The statutory financial statements of Shandong Luyuan for the year ended December 31, 2020 and 2021 were audited by Linyi Shengda United Certified Public Accountants. No audited financial statements have been prepared for this entity for the year ended December 31, 2022.

(iv) The statutory financial statements of those companies for the year ended December 31, 2020 and 2021 were audited by Wuyige Certified Public Accountants (LLP) Guangdong Branch. No audited financial statements have been prepared for this entity for the year ended December 31, 2022.

(v) The statutory financial statements of Luyuan International (Hong Kong) Limited for the year ended December 31, 2020 and 2021 were audited by Capital Partners CPA limited. No audited financial statements have been prepared for this entity for the year ended December 31, 2022.

(vi) Subsidiaries deregistered during Track Record Period. In 2020, the Group deregistered its subsidiary, Anhui Baijiayu. In 2022, the Group deregistered its subsidiaries, Zhejiang Jinhongzi Information Technology Co., Ltd., Jiangsu Motor Luyuan and Zhejiang Hongzi Information Technology Co., Ltd.. Guangdong Luyuan was resolved for deregistration on December 15, 2021 and deregistration was not yet completed.

(vii) In 2021, Ludong (Jinhua) was transferred from Jinhuashi Luyuan Electric Vehicle Co., Ltd, a company established in the PRC and then owned as to 95% by Mr. Ni Jie and 5% by Ms. Hu Jihong, to Zhejiang Luyuan in order to increase the land reserves available to Zhejiang Luyuan to enhance the production capabilities in Zhejiang, at an aggregate consideration of RMB37,089,000. The aforesaid consideration was determined based on valuation of the properties held by Ludong (Jinhua) conducted by independent valuer and had been fully settled by June 8, 2022.

(viii) Subsidiaries established during Track Record Period. In 2021, Luyuan Technology Holding (Zhejiang) Co., Ltd. was established in the PRC. In 2022, Zhejiang Luyuan International Trade Co., Ltd. was established in the PRC.

(ix) In September 2022, the Group disposed its subsidiary, LYVA COMPANY LIMITED to TRIHN HUYEN CHANG, a third party at a consideration of VND100,000,000 (Note 7).

12 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognized directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
PRC corporate income tax	4,092	8,475	347
Deferred income tax *(Note 25)*	(1,056)	(6,144)	3,871
Total income tax expense	3,036	2,331	4,218

(a) Cayman Islands income tax

Under the current laws of the Cayman Islands, the Company is not subject to tax on the Company's income or capital gains. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(b) British Virgin Islands income tax

Under the current laws of the British Virgin Islands, our subsidiary incorporated in British Virgin Islands is not subject to income tax.

(c) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented.

(d) Vietnam income tax

Entities incorporated in Vietnam are subject to Vietnam profits tax at a rate of 20% on assessable profits.

(e) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2020, 2021 and 2022, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the year ended December 31, 2020, 2021 and 2022 except:

- In 2021, Zhejiang Luyuan applied the extension of the high-tech certificate originally obtained in December 2009. The latest high-tech certificate was obtained in December 2021 with an effective period for 3 years. The income tax rate for the year ended December 31, 2020, 2021 and 2022 is 15%.

- In 2020, Shandong Luyuan applied the extension of the high-tech certificate originally obtained in December 2017. The latest high-tech certificate was obtained in August 2020 with an effective period for 3 years. The income tax rate for the year ended December 31, 2020, 2021 and 2022 is 15%.

- Jinhua Yicheng and Ludong (Jinhua) are small low-profit enterprises during the period from January 1, 2020 to December 31, 2022 and from January 1, 2021 to December 31, 2022, respectively. During the period from January 1, 2020 to December 31, 2020, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. During the period from January 1, 2021 to December 31, 2021, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. During the period from January 1, 2022 to December 31, 2022, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175%, 200% and 200% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended December 31, 2020, 2021 and 2022 respectively. The Group has made its best estimate for the super deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the period.

(f) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at December 31, 2022 will not be distributed in the foreseeable future. The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings as at December 31, 2022 will not be distributed in the foreseeable future. The Group did not recognise deferred income tax for PRC withholding income tax with amount of RMB40,878,400, RMB50,042,200 and RMB60,498,500 as at December 31, 2020, 2021 and 2022, respectively, on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB408,784,000, RMB500,422,000 and RMB604,985,000 as at December 31, 2020, 2021 and 2022, respectively.

The tax on the Group' s profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit/(losses) of the consolidated entities as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	43,317	61,591	122,248
Income tax calculated at statutory rate of 25%	10,827	15,398	30,562
Tax effect of preferential tax rate	(2,903)	(4,130)	(690)
Effect of tax rate difference	520	843	1,109
Super deduction in respect of R&D expenditures	(12,584)	(17,805)	(29,921)
Additional deduction of 100% of the wages paid to disabled employees	(328)	(378)	(500)
Share of results of associates	6	(79)	(50)
Non-deductible expenses	6,884	8,476	3,658
Tax losses and temporary differences for which no deferred tax assets were recognized	614	6	50
Total income tax expense	3,036	2,331	4,218

13 EARNINGS PER SHARE

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit attributable to equity holders of the Company (RMB'000)	40,293	59,260	118,030
Weighted average number of shares in issue (in thousand)	32,000	32,000	32,000
Basic earnings per share (RMB)	1.26	1.85	3.69

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the Track Record Period.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery & equipment	Office equipment	Motor vehicles	Construction in progress	Decoration and leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at January 1, 2020	349,783	257,543	22,759	21,877	26,378	11,850	690,190
Additions	–	212	1,466	161	55,219	3,845	60,903
Transfers	–	41,055	172	870	(42,097)	–	–
Disposals	(485)	(23,770)	(1,885)	(1,613)	(66)	–	(27,819)
As at December 31, 2020	349,298	275,040	22,512	21,295	39,434	15,695	723,274
Accumulated depreciation							
As at January 1, 2020	(100,935)	(131,969)	(17,140)	(16,379)	–	(6,682)	(273,105)
Depreciation charge	(16,504)	(26,787)	(1,929)	(2,041)	–	(4,728)	(51,989)
Disposals	452	20,808	1,774	1,532	–	–	24,566
As at December 31, 2020	(116,987)	(137,948)	(17,295)	(16,888)	–	(11,410)	(300,528)
Net book value							
As at December 31, 2020	232,311	137,092	5,217	4,407	39,434	4,285	422,746
Cost							
As at January 1, 2021	349,298	275,040	22,512	21,295	39,434	15,695	723,274
Additions	28,897	3,774	1,445	769	347,322	844	383,051
Transfers	121,326	116,661	2,113	666	(240,766)	–	–
Disposals	–	(8,863)	(173)	(372)	(64)	–	(9,472)
As at December 31, 2021	499,521	386,612	25,897	22,358	145,926	16,539	1,096,853
Accumulated depreciation							
As at January 1, 2021	(116,987)	(137,948)	(17,295)	(16,888)	–	(11,410)	(300,528)
Depreciation charge	(18,475)	(31,108)	(2,050)	(1,734)	–	(2,750)	(56,117)
Disposals	–	7,003	125	354	–	–	7,482
As at December 31, 2021	(135,462)	(162,053)	(19,220)	(18,268)	–	(14,160)	(349,163)
Net book value							
As at December 31, 2021	364,059	224,559	6,677	4,090	145,926	2,379	747,690

	Buildings	Machinery & equipment	Office equipment	Motor vehicles	Construction in progress	Decoration and leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at January 1, 2022	499,521	386,612	25,897	22,358	145,926	16,539	1,096,853
Additions	–	152	237	–	160,038	7,254	167,681
Transfers	163,981	79,237	4,557	323	(248,098)	–	–
Disposals	–	(8,898)	(356)	(4,158)	(148)	–	(13,560)
As at December 31, 2022	663,502	457,103	30,335	18,523	57,718	23,793	1,250,974
Accumulated depreciation							
As at January 1, 2022	(135,462)	(162,053)	(19,220)	(18,268)	–	(14,160)	(349,163)
Depreciation charge	(26,322)	(38,043)	(2,674)	(1,410)	–	(1,501)	(69,950)
Disposals	–	7,977	337	3,950	–	–	12,264
As at December 31, 2022	(161,784)	(192,119)	(21,557)	(15,728)	–	(15,661)	(406,849)
Net book value							
As at December 31, 2022	501,718	264,984	8,778	2,795	57,718	8,132	844,125

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	25,444	28,013	36,935
Administrative expenses	10,538	9,968	13,699
Selling and marketing costs	4,427	4,104	4,904
Research and development costs	11,580	14,032	14,412
	51,989	56,117	69,950

As at December 31, 2020, 2021 and 2022, the net book value of property, plant and equipment and right-of-use assets which were pledged as collateral for the Group's borrowings is as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net book value of property, plant and equipment pledged as collateral	55,087	222,507	478,665
Net book value of right-of-use assets pledged as collateral *(Note 15)*	4,201	39,313	81,924
Borrowings secured by property, plant and equipment and right-of-use assets	40,000	258,000	375,000

As at December 31, 2022, the net book value of property, plant and equipment and right-of-use assets amounted to RMB23,052,000 and RMB8,620,000 were pledged as collateral for bank facility accounted to RMB51,170,000, for the period from August 2022 to August 2025, which was not yet utilised by the Group as at December 31, 2022.

15 LEASE

(a) Amounts recognized in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
– Land use rights	55,398	92,735	90,545
– Leased property	5,375	2,349	5,177
	60,773	95,084	95,722
Lease liabilities			
Current	(3,299)	(2,140)	(2,798)
Non-current	(1,085)	(448)	(2,310)
	(4,384)	(2,588)	(5,108)

(b) Amounts recognized in the consolidated income statements

The consolidated income statements show the following amounts relating to leases:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets			
– Land use rights	1,221	1,696	2,191
– Leased property	5,491	4,622	2,313
	6,712	6,318	4,504
Interest expense (included in finance costs – Note 10)	(302)	(183)	(91)
Expense relating to short-term leases or low-value assets (included in expenses by nature – Note 8)	2,123	3,048	6,613

The carrying amounts of the Group's right-of-use assets and the movements during the years ended December 31, 2020, 2021 and 2022 are as follows, respectively:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	40,874	60,773	95,084
Additions	26,611	40,629	5,365
Depreciation charge	(6,712)	(6,318)	(4,504)
Disposals	–	–	(223)
At the end of the year	60,773	95,084	95,722

(c) Amounts recognized in the consolidated statements of cash flows

The consolidated statements of cash flows show the following amounts relating to leases:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash used in operating activities for leases	2,082	2,907	6,828
Cash used in investing activities for leases	5,600	29,000	9,391
Cash used in financing activities for leases	5,764	3,624	2,936
Total cash outflows for leases	13,446	35,531	19,155

(d) The Group's leasing activities and how these are accounted for:

The Group leases various offices and apartments. Rental contracts are typically made for fixed periods of 1 to 3.4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(e) Part of right-of-use assets are pledged as collateral for the Group's borrowings (refer to Note 14).

16 INTANGIBLE ASSETS

	Software
	RMB'000
At January 1, 2020	
Cost	5,389
Accumulated amortization	(4,686)
Net book amount	703
Year ended December 31, 2020	
Opening net book amount	703
Additions	3,803
Amortization charge *(Note 8)*	(1,077)
Closing net book amount	3,429

	Software
	RMB'000
At December 31, 2020	
Cost	9,192
Accumulated amortization	(5,763)
Net book amount	3,429
Year ended December 31, 2021	
Opening net book amount	3,429
Additions	114
Amortization charge *(Note 8)*	(969)
Closing net book amount	2,574
At December 31, 2021	
Cost	9,306
Accumulated amortization	(6,732)
Net book amount	2,574
At January 1, 2022	
Cost	9,306
Accumulated amortization	(6,732)
Net book amount	2,574
Year ended December 31, 2022	
Opening net book amount	2,574
Additions	94
Amortization charge *(Note 8)*	(957)
Closing net book amount	1,711
At December 31, 2022	
Cost	9,400
Accumulated amortization	(7,689)
Net book amount	1,711

Amortization expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	1,077	969	957

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	As at December 31, 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
Trade and notes receivables	*23*	137,929	157,870	285,631
Lease receivables	*23*	–	–	19,417
Other receivables excluding prepayments	*24*	167,289	91,819	10,365
Time deposits	*26*	91,901	42,000	119,200
Cash and cash equivalents	*27*	175,370	222,012	395,038
Restricted cash	*27*	16,665	32,615	81,820
Financial assets at fair value:				
Financial assets at fair value through profit or loss (FVTPL)	*19*	63,564	428,027	533,565
Debt instruments at fair value through other comprehensive income	*20*	175,832	118,957	95,229
		828,550	1,093,300	1,540,265

	Note	As at December 31, 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortized cost:				
Borrowings	*32*	155,912	666,051	656,586
Trade and notes payables	*28*	692,731	1,062,652	1,495,834
Other payables	*28*	67,376	177,055	109,630
Lease liabilities	*15*	4,384	2,588	5,108
		920,403	1,908,346	2,267,158

18 INVESTMENTS IN ASSOCIATES – GROUP

	Year ended December 31, 2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	952	929	1,243
Share of results	(23)	314	201
Ending balance	929	1,243	1,444

The particulars of the associates of the Group during the Track Record Period, all of which are unlisted, are set out as follows:

Companies name	Country/date of incorporation	Paid-in capital	% interests held As at December 31,			Principle activities
			2020	2021	2022	
Fujian Yizhou Power Technology Co., Ltd. ("Fujian Yizhou") (a)	Fu'an city, the PRC/ October 27, 2006	RMB15,000,000	40	40	–	Development and manufacture of vehicle batteries
Hangzhou Xinxin Power Technology Co., Ltd. (formerly known as Hangzhou Guangyang Power Technology Co., Ltd.) ("Hangzhou Guangyang") (b)	Hangzhou city, the PRC/May 29, 2013	RMB2,460,000	30	30	–	Manufacture and sale of electric vehicles and accessories
Jinhua Luchi New Energy Technology Co., Ltd. ("Jinhua Luchi") (c)	Jinhua city, the PRC/ November 9, 2016	RMB2,600,000	16	16	16	Development and manufacture of vehicle batteries

Notes:

(a) The Group disposed the equity interests in Fujian Yizhou in January 2022 to Lin Pingzai, a third party, at an aggregate consideration of RMB6,000,000 which has been fully settled in June 2022. The disposal gain is RMB6,000,000 since investment impairment had been fully provided in prior year. Following such transfer, the Group ceased to hold any equity interest in Fujian Yizhou (Note 7).

(b) The Group provided full provision of RMB4,310,000 for its investment in Hangzhou Guangyang in 2019. The Group disposed 30% of the equity interests in Hangzhou Guangyang in July 2022 to Zhu Liangjun, a third party at an aggregate consideration of RMB840,000 which had been fully settled in November 2022. Following such transfer, our Group ceased to hold any equity interest in Hangzhou Guangyang (Note 7).

(c) In 2016, the Group established Jinhua Luchi with Jinhua Keyuan Power Technology Co., Ltd. in the PRC and held 50% of its equity interests. In 2019, the Group agreed to increase capital of Jinhua Luchi and other shareholder injected RMB1,000,000 to Jinhua Luchi, which has diluted the Group's equity interests in Jinhua Luchi to 16%. Jinhua Luchi has been accounted for using the equity method since the Group has significant influence over Jinhua Luchi through its representation on the board of directors of Jinhua Luchi.

The table below provide summarized financial information for the associates, Hangzhou Guangyang, Jinhua Luchi and Fujian Yizhou, which are not material to the Group.

	Total assets	Total liabilities	Total revenue	Net profit/ (loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2020	37,742	(44,735)	54,910	(966)
Year ended December 31, 2021	34,314	(42,515)	22,921	(923)
Year ended December 31, 2022	15,688	(10,990)	29,963	1,255

There were no commitments and contingent liabilities relating to the Group's interests in associates as at December 31, 2020, 2021 and 2022.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Certificate of deposits	–	337,925	470,045
Wealth management products and structured deposits	63,564	90,102	63,520
	63,564	428,027	533,565

As at December 31, 2020, 2021 and 2022, the Group's wealth management products and structured deposits and certificate of deposits were pledged as security for the Group's notes payable is as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
– Notes payables secured by wealth management products and structured deposits and certificate of deposits	23,350	516,560	448,500
– Net book value of wealth management products and structured deposits and certificate of deposits pledged as collateral	11,680	390,000	435,000

20 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Notes receivables	175,832	118,957	95,229

21 RESERVES

Group	**Foreign currency translation**	**Statutory surplus reserve**	**Other reserves**	**Other comprehensive income**	**Total**
	RMB'000 *Note (a)*	*RMB'000* *Note (b)*	*RMB'000* *Note (c)*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	12,943	84,227	131,541	(742)	227,969
Changes in the fair value of debt instruments at fair value through OCI	–	–	–	(313)	(313)
Currency translation differences	(339)	–	–	–	(339)
Appropriations to statutory reserve	–	5,004	–	–	5,004
Balance at December 31, 2020	12,604	89,231	131,541	(1,055)	232,321

Group	Foreign currency translation	Statutory surplus reserve	Other reserves	Other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (a)	*Note (b)*	*Note (c)*		
Balance at January 1, 2021	12,604	89,231	131,541	(1,055)	232,321
Changes in the fair value of debt instruments at fair value through OCI	–	–	–	(797)	(797)
Currency translation differences	(59)	–	–	–	(59)
Appropriations to statutory reserve	–	10,418	–	–	10,418
Balance at December 31, 2021	12,545	99,649	131,541	(1,852)	241,883
Balance at January 1, 2022	12,545	99,649	131,541	(1,852)	241,883
Changes in the fair value of debt instruments at fair value through OCI	–	–	–	731	731
Currency translation differences	973	–	–	–	973
Appropriations to statutory reserve	–	3,630	–	–	3,630
Balance at December 31, 2022	13,518	103,279	131,541	(1,121)	247,217

Notes:

(a) Foreign currency translation

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("SSR") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilized to offset prior years' losses or to increase paid-in capital. However, SSR shall be maintained at a minimum of 25% of registered capital/share capital after such utilization.

The SSR are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations.

(c) The other reserves included below:

- Merger reserve of RMB145,879,000: Merger reserve represented the net asset value of the subsidiaries comprising the Group acquired by the Company in excess of the nominal value of the Company's shares issued for the interests of the subsidiaries pursuant to the reorganization in 2010.

- Redemption reserve of negative RMB14,338,000: Pursuant to a share subscription agreement dated April 22, 2015 entered into between the Company, New Healthcare PPE and New Power PPE, New Healthcare PPE and New Power PPE subscribed 1,017,961 shares and 1,542,039 shares of the Company, at a total consideration of USD10,811,500. On September 3, 2018, all shares issued to New Healthcare PPE and New Power PPE were repurchased by the Company at a consideration of USD5,154,454.8 and USD7,813,800, respectively. The difference between the repurchase consideration and the equity interests held by New Healthcare PPE and New Power PPE was debited to equity as redemption reserve.

22 INVENTORIES

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	51,945	100,482	97,582
Work in progress	10,410	28,531	50,927
Finished goods	145,880	257,604	295,046
Goods in transit	254	1,454	2,117
	208,489	388,071	445,672

No inventory provision was made for the years ended December 31, 2020, 2021 and 2022.

During the years ended December 31, 2020, 2021 and 2022, inventories recognized as cost of sales amounted to approximately RMB1,934,551,000, RMB2,792,874,000 and RMB3,919,913,000 respectively.

23 TRADE AND NOTES AND LEASE RECEIVABLES

(a) Trade and notes receivables

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	143,040	149,013	189,664
Less: Provision for impairment of receivables	(30,426)	(22,162)	(22,212)
	112,614	126,851	167,452
Notes receivables	25,358	31,088	118,850
Less: Provision for impairment of receivables	(43)	(69)	(436)
	25,315	31,019	118,414
	137,929	157,870	285,866

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

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	101,919	118,530	167,566
Between 1 and 2 years	18,019	12,026	4,212
Between 2 and 3 years	9,442	7,160	2,558
Over 3 years	13,660	11,297	15,328
	143,040	149,013	189,664

(b) Lease receivables

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivables – current *(Note 37 (d))*	–	–	9,178
Finance lease receivables – non-current *(Note 37 (d))*	–	–	10,239
Less: Provision for impairment of receivables	–	–	(498)
	–	–	18,919

During the year ended December 31, 2022, the Group sold goods amounting to RMB16,337,000 to Jinhua Hongzi Investment Holding Co., Ltd. ("Jinhua Hongzi") under a finance lease as a manufacturer leasor. The finance lease is with a period of 2 years.

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

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	–	–	9,178
Over 1 year	–	–	10,239
	–	–	19,417

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

24 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for construction and equipments	11,874	37,146	29,459
Loans to third parties *(e)*	11,260	–	–
Deposits	1,165	1,196	1,496
Payment of decoration costs *(a)*	411	54,218	85,113
Less: Provision for impairment of other receivables	(238)	(28)	(40)
	24,472	92,532	116,028
Current			
Prepayments for raw materials	6,769	164,132	25,384
Prepaid expenses	5,997	8,686	11,567
Prepaid taxes and surcharges and input VAT to be deducted	3,371	19,371	10,865
Receivables from disposal of a subsidiary *(b)*	48,000	–	–
Receivables from disposal of land use right *(c)*	20,000	20,000	20,000
Loans to a related party *(d)*	95,620	58,500	11,000
Loans to third parties *(e)*	18,931	41,062	5,648
Deposits	1,061	1,108	1,360
Payment of decoration costs *(a)*	176	33,181	70,162
Prepayments for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	9,296	8,690	9,097
Less: Provision for impairment of other receivables	(37,806)	(38,709)	(38,196)
	171,415	316,075	132,632
	195,887	408,607	248,660

(a) The Group provides reimbursement for store decoration to distributors, which are in substance payment to customer. The reimbursement is capitalized as prepayment to distributors and subsequently deducted from revenue consistent with the method to recognize revenue from sale of products.

(b) In March 2018, the Group agreed with Jiangsu Zongshen Motorcycle Co., Ltd. ("Jiangsu Zongshen") on the disposal of 100% share of Xuzhou Zongshen Electric Vehicle Co., Ltd. (formerly known as Luyuan Electric Vehicle Jiangsu Co., Ltd.) with a consideration of RMB148,000,000. Jiangsu Zongshen paid RMB100,000,000 in 2018 and RMB43,940,000 in 2021 to the Group and the remaining balance has been written off.

(c) In May 2016, the Group transferred two pieces of land use rights located in the development zone of Yinan County to Yinan County Urban State owned Assets Operation Co., Ltd. with a consideration of RMB80 million, among which, RMB60 million had been paid in prior year and remaining RMB20 million had not been paid yet. The Group has made full provision for the balances prior to the Track Record Period.

(d) As at December 31, 2020, 2021 and 2022, the balances due from a related party represented the loan to Linyi Luyuan Real Estate Co., Ltd. ("Linyi Luyuan") in 2019, which were secured by apartments and shops owned by Linyi Luyuan, with an annual interest rate of 6%. The original maturity period was one year and subsequently extended one year until December 31, 2021. The Group filed a lawsuit to Linyi Luyuan in July 2022 for this loan and made an impairment provision of RMB4,688,000 for this loan as at December 31, 2022, taking into account of its collateral. On March 10, 2023, Linyi Luyuan and the Group reached an agreement, pursuant to which, Linyi Luyuan agreed to settle the amounts due to the Group with the pledged assets before May 1, 2023 and the Group agreed to waive any interests due from Linyi Luyuan. On March 28 2023, Linyu Luyuan settled the amount with pledged assets and the Group has finished the registration of such assets.

(e) Loans to third parties mainly included the loans to certain distributors and employees, with period ranging from 3 months to 42 months and an annual interest rate ranging from 3.8% to 6%.

The maximum exposure to credit risk at each of the reporting period ends is the carrying value of each class of receivables mentioned above.

As at December 31, 2020, 2021 and 2022, the fair value of other receivables approximate their carrying amounts.

As at December 31, 2020, 2021 and 2022, the carrying amounts of other receivables and prepayments are denominated in RMB, USD and HKD.

25 DEFERRED INCOME TAX

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets to be recovered			
– within 12 months	13,605	13,721	12,354
– after 12 months	4,304	10,545	11,496
	17,909	24,266	23,850
Deferred tax liabilities to be settled			
– within 12 months	(3,175)	(3,123)	(6,821)
– after 12 months	–	–	–
	(3,175)	(3,123)	(6,821)
Deferred tax assets, net	14,734	21,143	17,029

The movement in deferred income tax assets and liabilities during each of the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Loss allowances for financial assets	Lease liabilities	Government grants	Accrued expenses and warranties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 1, 2020	1,385	13,621	1,417	–	766	17,189
(Charged)/credit to the income statements	(1,385)	(1,072)	(361)	3,521	17	720
At December 31, 2020	–	12,549	1,056	3,521	783	17,909
Credited/(charged) to the consolidated income statements	4,547	(6)	(368)	1,252	932	6,357
At December 31, 2021	4,547	12,543	688	4,773	1,715	24,266
(Charged)/credited to the consolidated income statements	(621)	(1,488)	611	1,756	(674)	(416)
At December 31, 2022	3,926	11,055	1,299	6,529	1,041	23,850

The PRC subsidiaries of the Group had unrecognized tax losses available to offset against future profits as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
2023	–	–	–
2024	2,881	2,787	2,787
2025	4,513	4,426	4,426
2026 and after	–	25	225
	7,394	7,238	7,438

Deferred income tax liabilities

	Right of use assets	**Fair value change of financial instruments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	(1,508)	(2,108)	(3,616)
Credited to OCI	–	105	105
Credited to the consolidated income statements	296	40	336
At December 31, 2020	(1,212)	(1,963)	(3,175)
Credited to OCI	–	265	265
Credited/(charged) to the consolidated income statements	551	(764)	(213)
At December 31, 2021	(661)	(2,462)	(3,123)
Charged to OCI	–	(243)	(243)
Charged to the consolidated income statements	(291)	(3,164)	(3,455)
At December 31, 2022	(952)	(5,869)	(6,821)

Net impact to income statement and other comprehensive income

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets			
Credited/(charged) to the consolidated income statements	720	6,357	(416)
	720	6,357	(416)
Deferred income tax liabilities			
Charged/(credited) to OCI	105	265	(243)
Charged/(credited) to the consolidated income statements	336	(213)	(3,455)
	441	52	(3,698)
	1,161	6,409	(4,114)

26 TIME DEPOSITS

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Time deposits denominated in RMB	71,897	–	–
Current			
Time deposits denominated in RMB	20,004	42,000	119,200
	91,901	42,000	119,200

The balances represented time deposits with period ranging from 7 to 365 days, with the annual interest rates from 1.95% to 4.00%.

27 CASH AT BANK AND ON HAND

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand			
– denominated in RMB	188,534	249,423	476,325
– denominated in USD	3,274	1,796	245
– denominated in HKD	54	3,400	288
– denominated in VND	173	8	–
	192,035	254,627	476,858

The effective interest rates on the Group's bank deposits as December 31, 2020, 2021 and 2022 were ranging from 0.01% to 0.30%.

Cash and cash equivalents of the Group were determined as follows:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	192,035	254,627	476,858
Less: Restricted cash	(16,665)	(32,615)	(81,820)
	175,370	222,012	395,038

Restricted cash of the Group comprised of the following:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Guarantee deposits for bank notes	16,665	32,615	81,820

28 TRADE AND NOTES AND OTHER PAYABLES

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	305,712	538,458	588,356
Notes payable	387,019	524,194	907,478
Other tax payables	24,660	19,595	37,756
Payable for land and equipment	15,729	117,090	43,460
Deposits	30,523	19,988	8,339
Accrued expenses	19,346	34,462	40,845
Loans and interest payable to a related party *(Note 37)*	–	3,282	–
Accrued payroll	34,176	47,299	61,426
Unfulfilled government grants *(Note 31)*	–	–	14,214
Others	1,778	2,233	2,772
	818,943	1,306,601	1,704,646

The ageing analysis of trade payables based on invoice date as at December 31, 2020, 2021 and 2022 are as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	260,057	520,996	577,359
Between 1 and 2 years	34,492	4,174	5,300
Between 2 and 3 years	7,892	2,150	2,541
Over 3 years	3,271	11,138	3,156
	305,712	538,458	588,356

As at December 31, 2020, 2021 and 2022, the fair value of trade and notes and other payables approximate their carrying amounts.

As at December 31, 2020, 2021 and 2022, the carrying amounts of trade and notes and other payables are denominated in RMB, USD and HKD.

29 CONTRACT LIABILITIES

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Advance from distributors for sales of electric vehicles	57,132	82,888	96,384

(a) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year: sales of electric vehicles	59,164	57,132	82,888

30 PROVISIONS

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Warranty costs	705	1,689	2,432
Current			
Warranty costs	3,417	3,136	4,518
Provisions for litigation	1,093	3,341	58
	4,510	6,477	4,576

31 DEFERRED INCOME

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	14,085	20,803	14,558

Notes:

(a) Deferred income represents government grants relating to assets and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(b) The Group's subsidiary, Guangxi Luyuan, received the government grant of RMB14,214,000 in 2020 from the government of Guigang City, Guangxi province, the PRC for the land and plant invested by the Group. In December 2022, the government modified the preconditions of this government grant pursuant to which the government grant subjected to approval from the government upon receiving application from the Group. By the end of 2022, the Group did not yet submit the application to the government and had not received reply from the government, thus the preconditions had not been met. As a result, the Group reclassified the cash received of RMB14,214,000 for this government grant to other payables (Note 28).

(c) The amount of amortization charged in other income was shown as follow:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Amortization charged in other income (included in Note 6)	129	765	709

32 BORROWINGS

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:			
– Bank loans-secured *(a)*	–	188,000	375,424
– Bank loans-unsecured	–	–	50,000
Less: Current portion of long-term borrowings			
– Bank loans-secured *(a)*	–	(45,000)	(55,700)
Total non-current borrowings	–	143,000	369,724
Borrowings included in current liabilities:			
– Bank loans-secured *(a)*	20,024	40,451	3,132
– Bank loans-unsecured	85,888	207,000	104,000
– Other borrowings *(d)*	30,000	200,600	124,030
– Other financial institution borrowings-secured *(c)*	20,000	30,000	–
Add: Current portion of long-term borrowings			
– Banks loans-secured *(a)*	–	45,000	55,700
Total current borrowings	155,912	523,051	286,862
Total borrowings	155,912	666,051	656,586

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's property, plant and equipment (Note 14), right-of-use assets (Note 15), the Group's equity interests in Guangxi Luyuan and trade receivables of a subsidiary of the Group.

(b) All the borrowings as at December 31, 2020, 2021 and 2022 are denominated in RMB.

(c) In December 2020 and November 2021, the Company's subsidiary, Zhejiang Luyuan entered into separate agreements for sale and leaseback of property, plant, and equipment with Maxwealth Financial Leasing Co., Ltd. pursuant to which the fair value of lease principals amounted to RMB24,049,000 and RMB35,489,000, respectively, with annual interest accruing at 1.7% and 1.75%. Among which RMB19,830,000 was settled by bank notes in 2020 and repaid by cash in 2021. The borrowing of RMB29,745,000 was settled by bank notes in 2021 and repaid by cash in 2022. Based on the assessment of management of the Group, Maxwealth Financial Leasing Co., Ltd. did not obtain control of the assets and the transfer of assets did not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the assets. Therefore, the Group continued to recognise the assets and recognized borrowings according to HKFRS 9.

(d) The balances of other borrowings represented the borrowings from discount of the bank notes of the Group.

The maturity of non-current borrowings at the reporting dates is as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Between 1 and 2 years	–	93,000	116,124
Between 2 and 3 years	–	15,000	207,600
Between 3 and 5 years	–	35,000	46,000
	–	143,000	369,724

The weighted average effective interest rates as at December 31, 2020, 2021 and 2022 were as follows:

	As at December 31,		
	2020	**2021**	**2022**
Bank borrowings	4.28%	3.95%	3.55%
Other borrowings	1.94%	1.53%	1.68%
Other financial institution borrowings	1.75%	1.70%	1.70%

33 SHARE CAPITAL

The Company was incorporated on February 18, 2009 with an initial authorized share capital of USD50,000 divided into 50,000 shares of a par value of USD1.00 each,of which 1 share was issued and allotted to an independent third party at par,and was transferred to Mr. Jing at par on the same date.

On July 16, 2010, 999 shares were issued and allotted to Mr. Jing for a consideration of USD999. Immediately upon such allotment, Mr. Jing held a total of 1,000 shares in the Company. On the same date, Mr. Jing transferred 300 shares, 300 shares and 400 shares to Apex Marine Investments Limited ("Apex Marine") wholy owned by Ms. Hu Jihong, Drago Investments Limited ("Drago Investments") wholy owned by Mr. Ni Jie and Best Expand Holdings Limited ("Best Expand") jointly owned by Mr. Ni Jie and Ms. Hu Jihong for a consideration of USD300, USD300 and USD400, respectively.

On June 27, 2011, Best Expand transferred 110 shares,110 shares and 80 shares to Apex Marine Drago Investments and Shipston Electric Vehicle Limited ("Shipston") for a consideration of USD110, USD110 and USD6,100,000 respectively.

On June 28, 2011, 902 shares, 902 shares, 220 shares and 176 shares were issued and allotted to Apex Marine, Drago Investments, Best Expand and Shipston, respectively, at par by the Company.

On July 13, 2011, each share of the authorized capital of the Company was subdivided into 10,000 ordinary shares of a par value of USD0.0001 each. Immediately following the above subdivision,the authorized share capital of the Company was altered to USD50,000 divided into 500,000,000 shares of a nominal or par value of USD0.0001 each, among which Apex Marine, Drago Investments, Best Expand and Shipston held 13,120,000 shares, 13,120,000 shares, 3,200,000 shares and 2,560,000 shares, representing 41.0%, 41.0%, 10.0% and 8.0% of the then issued share capital of the Company, respectively.

Issued share capital

	Number of issued shares	Share capital	Share capital
		USD'000	*RMB'000*
As at February 18, 2009 (date of incorporation)	1	1	6
As at December 31, 2020, 2021 and 2022	32,000,000	3.2	22

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash generated from operations:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	43,317	61,591	122,248
Adjustments for:			
– Impairment losses on financial assets	6,174	(908)	1,650
– Gains on disposals of associates *(Note 7)*	–	–	(6,840)
– Gains on disposals of a subsidiary *(Note 7)*	–	–	(27)
– Depreciation and amortization *(Note 8)*	59,778	63,404	75,411
– Amortization of government grant related to asset *(Note 31)*	(129)	(765)	(709)
– Share of results of associates *(Note 18)*	23	(314)	(201)
– Finance costs – net *(Note 10)*	172	7,241	3,735
– Losses/(gains) on disposals of property, plant and equipment and right-of-use assets *(Note 7)*	1,897	761	(1,706)
– Interest income from related parties and third parties *(Note 6)*	(6,159)	(3,463)	(31)
– Interest income from time deposits *(Note 6)*	(3,822)	(729)	(2,399)
– Exchange gains or losses *(Note 7)*	733	16	(1,121)
– Fair value gains from FVTPL *(Note 7)*	(8,674)	(14,857)	(19,588)
Changes in working capital			
– Trade and notes receivables	1,714	(14,200)	(149,049)
– Other receivables and prepayments	15,384	(259,483)	78,641
– Inventories	(73,573)	(179,645)	(57,601)
– Restricted cash	88,194	(15,950)	(49,205)
– Trade and notes payables	(7,140)	369,965	433,179
– Contract liabilities	(2,032)	25,756	13,496
– Other payables	9,823	14,672	26,782
– Debt instruments at FVOCI	(140,144)	85,824	24,459
Net cash (used in)/generated from operations	(14,464)	138,916	491,124

(b) Liabilities arising from financing activities

This section sets out an analysis of the movements for each of the periods presented.

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	175,370	222,012	395,038
Borrowings	(155,912)	(666,051)	(656,586)
Loan from a related party	–	(3,282)	–
Lease liabilities	(4,384)	(2,588)	(5,108)
Net cash/(debt)	15,074	(449,909)	(266,656)

(c) Net debt reconciliation

Liabilities from financing activities

	Borrowings	**Loan from a related party**	**Lease liabilities**	**Cash and cash equivalents**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2020	(135,640)	–	(9,099)	209,504	64,765
Net cash flows	(14,135)	–	5,764	(33,062)	(41,433)
New leases	–	–	(747)	–	(747)
Foreign exchange adjustments	–	–	–	(1,072)	(1,072)
Interest expense	(6,608)	–	(302)	–	(6,910)
Other changes	471	–	–	–	471
Balance as at December 31, 2020	(155,912)	–	(4,384)	175,370	15,074
Balance as at January 1, 2021	(155,912)	–	(4,384)	175,370	15,074
Net cash flows	(465,204)	(3,271)	3,624	46,717	(418,134)
New leases	–	–	(1,645)	–	(1,645)
Foreign exchange adjustments	–	–	–	(75)	(75)
Interest expense	(15,190)	(11)	(183)	–	(15,384)
Other changes	(29,745)	–	–	–	(29,745)
Balance as at December 31, 2021	(666,051)	(3,282)	(2,588)	222,012	(449,909)
Balance as at January 1, 2022	(666,051)	(3,282)	(2,588)	222,012	(449,909)
Net cash flows	34,091	3,338	2,935	170,932	211,296
New leases	–	–	(5,365)	–	(5,365)
Foreign exchange adjustments	–	–	–	2,094	2,094
Interest expense	(24,626)	(56)	(90)	–	(24,772)
Balance as at December 31, 2022	(656,586)	–	(5,108)	395,038	(266,656)

35 COMMITMENTS

(a) Property development expenditure commitments

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

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for	10,963	62,918	26,380

(b) Non-cancellable lease

At the balance sheet dates, lease commitments for the Group for leases not yet commenced or short-term leases and low value leases are as follows:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	186	2,020	1,937
Later than 1 year and no later than 5 years	–	378	–

36 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of December 31, 2020, 2021 and 2022.

37 RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship with the Group
Mr. Ni Jie	Controlling Shareholder, Chairman of the board of directors
Ms. Hu Jihong	Executive Director, Controlling Shareholder and spouse of Mr. Ni Jie
Ms. Ni Boyuan	Senior management, daughter of Mr. Ni Jie and Ms. Hu Jihong
Fujian Yizhou *(Note 18)*	Associate, disposed in February 2022
Jinhua Luchi *(Note 18)*	Associate
Hangzhou Guangyang *(Note 18)*	Associate, disposed in July 2022
Jinhua Luyuan Electric Vehicle Co., Ltd.	Controlled by Mr. Ni Jie
Linyi Luyuan	*(Note)*
Jinhua Baili Network Technology Co., Ltd.	Controlled by Ms. Ni Boyuan
Fengxian Wanrun Vehicle Industry Co., Ltd. ("Fengxian Wanrun")	Controlled by Mr. Zeng Shenghong and Mr. Chen Jianpu
Fujian Yizhou Electric Vehicle Co., Ltd.	In which Mr. Chen Guosheng serve as an executive
Jinhua Hongzi	Controlled by Ms. Ni Boyuan until October 2022 and in which Mr. Chen Jianpu served as a supervisor
Jinhua Xuli Shock Absorber Co., Ltd.	In which Mr. Chen Jianpu served as a supervisor until October 2022
Mr. Chen Guosheng	Executive Director, chief financial officer and a joint company secretary
Mr. Chen Jianpu	Senior management of subsidiaries
Mr. Zeng Shenghong	Senior management of subsidiaries

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

(b) Transactions with related parties

The Group has the following related party transactions:

(i). Purchase of raw materials and services

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fujian Yizhou	43,679	5,700	–
Jinhua Luchi	–	111	2,043
Fengxian Wanrun	9,964	3,905	37
Jinhua Xuli Shock Absorber Co., Ltd.	5,352	8,620	4,901
Jinhua Baili Network Technology Co., Ltd.	23	–	–
	59,018	18,336	6,981

(ii). Revenue from selling products and services

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Hangzhou Guangyang	2,237	–	–
Jinhua Baili Network Technology Co., Ltd.	1,996	138	459
Fujian Yizhou Electric Vehicle Co., Ltd.	–	47	4,398
Jinhua Hongzi (Note 23(b))	–	–	16,337
Jinhua Luchi	1	–	–
Jinhua Luyuan Electric Vehicle Co., Ltd.	–	–	780
	4,234	185	21,974

(iii). Repayment of loans by a related party

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Linyi Luyuan *(Note 24)*	5,380	37,120	47,500

(iv). Interest income from a related party

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Linyi Luyuan *(Note 24)*	6,043	2,394	–

(v). Loans from a related party

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Ni Jie *(Note)*	–	3,271	–

Note: The amount represented a loan of USD4,000,000 from Mr. Ni Jie to the Group with a period from November 30, 2021 to May 30, 2022, at an annual interest rate of 4%, which has been repaid in 2022.

(vi). Repayment of loans to a related party

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Ni Jie	–	–	3,395

(vii). Interest expense to a related party

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Ni Jie	–	11	56

(viii). Purchase of land use rights

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd. *(Note 11 (vii))*	–	37,089	–

(ix). Interests on lease liabilities

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd.	203	53	–

Zhejiang Luyuan leased in a property from Jinhua Luyuan Electric Vehicle Co., Ltd. since July 2018 to December 2021.

(c) Due to related parties

(i). Trade payables

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Jinhua Xuli Shock Absorber Co., Ltd.	553	1,218	–
Hangzhou Guangyang	403	403	–
Fujian Yizhou	3,071	500	–
Fengxian Wanrun	253	–	–
Jinhua Luchi	–	9	–
	4,280	2,130	–

(ii). Non-trade payables due to related parties

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd. *(Note 11 (vii))*	–	37,089	–
Mr. Ni Jie	–	3,282	–
	–	40,371	–

(iii). Lease liabilities

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd.	2,095	–	–

(d) Due from related parties

(i). Trade receivables

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Hangzhou Guangyang	2,371	–	–
Fujian Yizhou Electric Vehicle Co., Ltd.	–	69	–
	2,371	69	–

(ii). Prepayments to related parties – trade

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Fengxian Wanrun	–	42	–
Jinhua Luchi	–	–	532
	–	42	532

(iii). Other receivables

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
–Trade			
Fengxian Wanrun	173	–	–

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
–Non-trade			
Linyi Luyuan *(Note 24(d))*	95,620	58,500	11,000

(iv). Lease receivables

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Jinhua Luyuan Electric Vehicle Co., Ltd. *(Note 23 (b))*	–	–	19,417

(e) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, vice presidents and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other short-term employee benefits	2,401	2,573	6,367
Retirement benefit scheme contribution	121	114	86
	2,522	2,687	6,453

38 SUBSEQUENT EVENTS

Save as disclosed in Note 24, there have been no material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRS.

39 NOTES TO COMPANY BALANCE SHEETS

(a) Interests in subsidiaries

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a subsidiary(a)	8,416	8,224	8,983
Interests in subsidiaries	145,879	145,879	145,879
	154,295	154,103	154,862

(a) These amounts due from a subsidiary represent equity funding by the Company to its subsidiary, Luyuan International Limited and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing.

(b) Reserves and retained earnings

	Other reserves	**Foreign currency translation**	**Retained earnings**	**Total**
	RMB'000 *(Note 21(c))*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	131,541	(202)	26,053	157,392
Total loss	–	–	(74)	(74)
Currency translation differences	–	(742)	–	(742)
Balance at December 31, 2020	131,541	(944)	25,979	156,576
Total loss	–	–	(1,772)	(1,772)
Currency translation differences	–	(226)	–	(226)
Balance at December 31, 2021	131,541	(1,170)	24,207	154,578
Total loss	–	–	(1,396)	(1,396)
Currency translation differences	–	764	–	764
Balance at December 31, 2022	131,541	(406)	22,811	153,946

40 DIVIDEND

No dividend has been paid or declared by the Company during the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022 and up to the date of this report. No dividend or distribution have been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022.