

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information as set out in Appendix I to this document. The consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (“IFRS”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors” in this document.

In addition, the following discussion and analysis contains certain amounts and percentage figures that may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them, and all monetary amounts and percentages shown are approximate amounts only.

OVERVIEW

We are a major connected services provider for players within the automotive aftermarket industry in China, with a focus on providing (i) in-vehicle hardware products; and (ii) SaaS marketing and management services covering SaaS subscription services and SaaS value-added services to the industry participants along the industry value chain. According to the CIC Report, we ranked first as a SaaS marketing and management service provider for the automotive aftermarket industry in China with a market share of 5.6% in terms of revenue in 2022, and we ranked second as a connected service provider for the automotive aftermarket industry in China with a market share of 3.8% in terms of revenue in 2022.

Founded and headquartered in Shenzhen since 2012, we are dedicated to empowering our customers in the automotive aftermarket industry to better connect with their customers through our sales of in-vehicle hardware products business and provision of SaaS marketing and management services, and thus to achieve digital transformation. With decade-long operational experience, and coupled with our industry insight and the power of technology we have developed industry-specific products and services for industry participants along the automotive aftermarket industry such as 4S stores to improve their marketing and operational efficiencies.

FINANCIAL INFORMATION

The following table provides a breakdown of our revenue by business line during the Track Record Period:

	FY2021		FY2022		FY2023	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of in-vehicle						
hardware products	175,947	53.8	172,672	41.7	226,098	40.3
SaaS marketing and management services						
SaaS subscription services	141,513	43.3	130,270	31.5	134,525	24.0
SaaS value-added services	9,314	2.9	110,918	26.8	199,946	35.7
Sub-total	150,827	46.2	241,188	58.3	334,471	59.7
Total	326,774	100.0	413,860	100.0	560,569	100.0

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been and will continue to be affected by a number of factors, which primarily include the following:

- our ability to keep abreast of the latest market developments in the automotive aftermarket industry in China and IT technological changes may drive us out of competition;
- our ability to continue to maintain and expand our customer base; and
- PRC government’s policies and regulations.

Our ability to keep abreast of the latest market developments in the automotive aftermarket industry in China and IT technological changes may drive us out of competition

The automotive aftermarket industry is significantly affected by the overall economic condition in China, evolving industry standards, changing customers’ preferences and frequent introductions of new digitalised products and services. The introduction of new technologies and the emergence of new industry standards may render our products and services obsolete or uncompetitive. Accordingly, our future success will depend, in part, on our ability to (i) adapt to rapidly changing technologies and industry standards; (ii) continuously improve our know-how in technological

FINANCIAL INFORMATION

advancement and changes; (iii) accumulate in-depth knowledge of the features and functionalities of the digitalised products and services; and (iv) maintain and enhance our research and development capability and industry insight to meet the requirements and preferences of our customers. If we fail to keep up with industry development trends or IT technological changes, or if we fail to introduce new digitalised products and services, our ability to respond effectively to customer demands may be adversely affected, which may undermine our future development and have an adverse impact on our business and financial results.

Our ability to maintain and expand our customer base

We enjoy a broad customer base in the automotive aftermarket industry mainly due to our business model encompassing both (i) sales of in-vehicle hardware products to 4S store customers and in-vehicle device OBM customers, and (ii) SaaS marketing and management services provided to 4S store customers and automotive financing and leasing company customers. We believe our diversified products and services have attracted customers from different segments in the value chain of the automotive aftermarket industry and thereby enabled us to capture the business opportunities along the entire value chain. Our continuing business growth and profitability are largely dependent on our ability to maintain and develop close and mutually beneficial relationships with both existing and potential customers. As such, deterioration of business relationships with our customers created by factors such as dissatisfaction of our services, miscommunication and poor experiences in conflict resolution and disagreement in the pricing of our services, may adversely affect our business, financial conditions and results of operations.

PRC government’s policies and regulations

We are engaged in an industry where policies and regulations play a critical role in our business. Our operations are sensitive to changes in PRC governmental policies, laws and regulations relating to SaaS-based services, the automotive aftermarket industry or changes in the implementation of such policies, laws and regulations. We believe the application of digitalisation products and services for the automotive aftermarket industry and favourable regulations will further improve the prospects of our business.

During the Track Record Period, we recognised government grants amounting to RMB1.7 million, RMB1.7 million and RMB0.7 million for FY2021, FY2022 and FY2023, respectively. In addition, we received the refund of PRC value-added tax and surcharges amounted to RMB7.3 million, RMB4.0 million and RMB6.3 million for FY2021, FY2022 and FY2023 respectively. For further details of our government grants and tax benefits received during the Track Record Period, please refer to Note 7 to the Accountants’ Report in Appendix I in this document. As a result, our results of operations will be affected by our ability to continue recognising these government grants and tax benefits, which in turn will be affected by factors that are out of our control such as government

FINANCIAL INFORMATION

policies. In case we no longer enjoy the government grants that are out of our control and tax benefits or there is any withdrawal or cancellation of relevant favourable government policies, our profitability and results of operations could be materially affected.

IMPACTS OF THE COVID-19 OUTBREAK

Since December 2019, the COVID-19 outbreak has had a significant impact to the global economy. In response, the PRC government has implemented strict measures to control COVID-19 outbreak in the PRC. In particular, lockdowns, closure of workplaces and travel and transport restrictions were put in place to contain the spread of the virus. During the COVID-19 outbreak, our business was negatively affected due to the reduced demand in the automotive aftermarket industry generally and the cost savings measures implemented by some of our customers, which had an impact on our results of operation. The pandemic mitigation measures imposed had similarly caused negative impact to the business operations of our 4S store customers.

Since the start of 2021 and up to 2022, there have been reoccurrences of COVID-19 cases in a number of cities of China, in response to which the government had taken further measures and actions in such areas, where our own business operations, as well as the operations of our business partners were affected. There remains uncertainty surrounding how the COVID-19 outbreak will develop in the PRC. Should the PRC government take emergency measures to combat further outbreaks of COVID-19, including imposing travel restrictions, mandatory cessations of business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, the overall economic conditions in the PRC will be negatively impacted, which in turn may affect our results of operations. In 2023, following the relaxation of COVID-19 policies and overall recovery of business activities in the PRC, we expect a rebound in our business operation and financial performance in FY2023. While COVID-19 containment measures had, to a certain extent, affected our business during the Track Record Period, as at the Latest Practicable Date, our business operations and financial conditions were not materially impacted by the containment measures that have been put in place.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 12 January 2022 as our [REDACTED] vehicle. In preparation of the [REDACTED], our Group had undergone the Reorganisation, after which our Company has become the holding company of the companies now comprising our Group. For details, see “History, Reorganisation and Corporate Structure” in this document.

The historical financial information of our Group has been prepared by our Directors based on the accounting policies which conform with IFRSs issued by the International Accounting Standards Board (“IASB”), on the basis of presentation and preparation as set out in Note 2 to the Accountant’s Report set out in Appendix I to this document.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES

We have identified certain accounting policies that are material to the preparation of our historical financial information. These accounting policies are important for an understanding of our financial position and results of operations and are discussed in note 4 to the Accountants’ Report in Appendix I to this document.

In addition, our Group makes judgements, estimates and assumptions about our carrying amounts of assets and liabilities, and these judgements, estimates and assumptions may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. The critical accounting judgements and key sources of estimation uncertainty are discussed in note 5 to the Accountants’ Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table summarises the Company’s consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants’ Report in Appendix I to this document.

	FY2021	FY2022	FY2023
	RMB’000	RMB’000	RMB’000
Revenue	326,774	413,860	560,569
Cost of sales	(232,093)	(240,671)	(308,791)
Gross profit	94,681	173,189	251,778
Other income	15,000	9,675	9,737
Other gains and losses	260	8,164	9,714
Impairment losses recognised under expected credit loss model (“ECL”), net of reversal.	(74)	(521)	(1,554)
Distribution and selling expenses	(31,807)	(91,280)	(159,126)
Administrative expenses	(17,348)	(18,367)	(21,203)
Research and development expenditure . . .	(16,803)	(16,999)	(18,074)
Share of results of associates.	(57)	–	174
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs.	(1,930)	(1,637)	(2,283)
Profit before taxation	40,364	53,023	58,968
Income tax expense	(5,291)	(5,606)	(7,426)
Profit for the year	35,073	47,417	51,542

FINANCIAL INFORMATION

	FY2021	FY2022	FY2023
	RMB'000	RMB'000	RMB'000
Other comprehensive income for the year <i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income (“FVTOCI”)	(11,156)	(5,169)	(1,801)
Total comprehensive income for the year	23,917	42,248	49,741
Profit for the year attributable to:			
Owners of the Company	31,831	44,145	51,129
Non-controlling interests	3,242	3,272	413
	35,073	47,417	51,542
Total comprehensive income for the year attributable to:			
Owners of the Company	21,167	39,204	49,328
Non-controlling interests	2,750	3,044	413
	23,917	42,248	49,741

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also presented adjusted profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as non-IFRS financial measures which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS financial measures when shown in conjunction with the corresponding IFRS financial measures provides useful information to potential investors and management in understanding and evaluating our operating performance from period to period. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

We define the adjusted profit for the year (non-IFRS measure) by adding back the [REDACTED] to the profit for the year as presented in accordance with IFRS. [REDACTED] are mainly expenses related to the [REDACTED] and added back mainly because they were incurred for the purpose of the [REDACTED]. We present the adjusted net profit margin (non-IFRS measure) by dividing adjusted net profit for the year by revenue for the year and multiplying the result by 100%.

FINANCIAL INFORMATION

The following table sets forth the adjusted profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) in the year stated below:

	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Profit for the year	35,073	47,417	51,542
Adjusted for [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit for the year (non-IFRS measure)	36,631	56,618	61,737
Adjusted net profit margin for the year (non-IFRS measure)	11.2%	13.7%	11.0%

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Revenue by business line

During the Track Record Period, our business was the sales of in-vehicle hardware products and the provision of SaaS marketing and management services. The following table provides a breakdown of our revenue by business line:

	<u>FY2021</u>		<u>FY2022</u>		<u>FY2023</u>	
	<u>Revenue</u>	<u>Percentage of revenue</u>	<u>Revenue</u>	<u>Percentage of revenue</u>	<u>Revenue</u>	<u>Percentage of revenue</u>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of in-vehicle hardware products						
In-vehicle infotainment system	79,667	24.4	96,643	23.4	126,710	22.6
In-vehicle safety system.	16,817	5.1	13,433	3.2	24,875	4.4
Core board	79,463	24.3	62,596	15.1	74,513	13.3
Sub-total	175,947	53.8	172,672	41.7	226,098	40.3

FINANCIAL INFORMATION

	FY2021		FY2022		FY2023	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%
SaaS marketing and management services						
SaaS subscription services	141,513	43.3	130,270	31.5	134,525	24.0
SaaS value-added services	9,314	2.9	110,918	26.8	199,946	35.7
Sub-total	150,827	46.2	241,188	58.3	334,471	59.7
Total	326,774	100.0	413,860	100.0	560,569	100.0

Our total revenue increased from RMB326.8 million for FY2021 to RMB413.9 million for FY2022, representing an increase of approximately by RMB87.1 million or 26.7%, which was mainly driven by (i) the increase in revenue from SaaS value-added services as a result of our continuous effort to promote and develop SaaS value-added services and (ii) the expansion in the number of our 4S store customers and partially offset by (iii) the slight decrease in revenue from sales of in-vehicle hardware products. Our total revenue increased from RMB413.9 million for FY2022 to RMB560.6 million for FY2023, representing an increase of approximately RMB146.7 million or 35.4%. Such significant increase in overall revenue from FY2022 to FY2023 was mainly attributable to the (i) increase in revenue from sales of in-vehicle hardware products of approximately RMB53.4 million and (ii) increase in revenue from SaaS value-added services of approximately RMB89.0 million in FY2023, with both of these increases being driven by (i) the market rebound as a result of the relaxation in the travel restrictions to cope with COVID-19 and (ii) favourable policies rolled out in the PRC in FY2023, including the subsidies and incentives to boost the automotive consumption such as the tax reduction and exemption policy on NEV purchases, leading to the increase in automotive sales and thus the demand for our products and services.

(1) Sales of in-vehicle hardware products

During the Track Record Period, revenue from our sales of in-vehicle hardware products was RMB175.9 million, RMB172.7 million and RMB226.1 million, representing 53.8%, 41.7% and 40.3% of our total revenue, respectively.

The decreasing trend in revenue contribution of our sales of in-vehicle hardware products from FY2021 to FY2022 was mainly attributable to (i) the negative impact brought by COVID-19 in China and on the operations of our 4S store customers; (ii)

FINANCIAL INFORMATION

traveling restriction imposed within the PRC, leading to the reduced demand of our sales of in-vehicle hardware products; and (iii) a change in our product mix on the increased sales of low-cost and low-priced in-vehicle products such as core boards.

Despite the above decreasing revenue contribution of our sales of in-vehicle hardware products from FY2021 to FY2022, we achieved a rebound in our sales of in-vehicle infotainment system as the sales of our in-vehicle infotainment systems increased significantly as a result of the group purchasing campaign service that we launched under our SaaS value-added service starting from the second half of FY2022 under which our 4S stores customers promote a wide range of vehicle-related products and services to car users, which drove up the sales of our in-vehicle infotainment and in-vehicle safety products. The sales of in-vehicle infotainment system increased from RMB79.7 million in FY2021 to RMB96.6 million in FY2022, representing an increase of RMB17.0 million, among which RMB14.0 million or 82.5% was contributed by new customers after launching group purchasing campaign. We provide group purchasing campaign service to our 4S store customers of our SaaS subscription services who use our Dijia SaaS. Based on such group purchasing campaign, our 4S store customers, through our Dijia SaaS, select the targeted car user group and suitable products catering to the needs of their car users customers through Dijia SaaS. In particular, we design targeted marketing strategies and produce specialised marketing content such as graphics/videos/live streaming to assist marketing activities. Our 4S store customers use Dijia SaaS to push relevant marketing content to their car user customers through WeCom/mini programme/official account/SMS and attract them to visit the 4S stores or place orders online. After the car users visit our customers' 4S stores, we facilitate the transaction through offline marketing. The products covered under such group purchasing campaign mainly involve 360-degree navigation device, large-screen car consoles, car seat heaters under our in-vehicle infotainment systems which are offered without any discount which are offered without any discount. The usual term of such group purchase campaign is approximately one week.

However, the sales of our in-vehicle safety system decreased from approximately RMB16.8 million in FY2021 to approximately RMB13.4 million in FY2022, resulting from the decrease in sales of our rear-view mirror product. Besides, the sales of our core board decreased from approximately RMB79.5 million to RMB62.6 million as some of the products gradually phased out in FY2022 due to lower demand. Furthermore, the Group's sale of in-vehicle hardware products was negatively affected by the uncertainty in the PRC economy triggered by the travel restrictions that have been put into place to cope with COVID-19, which did not officially end until the first half of 2023. As a result of the foregoing, the revenue from our sales of in-vehicle hardware products decreased from FY2021 to FY2022.

From FY2022 to FY2023, we achieved a significant increase in our sales of in-vehicle hardware products from approximately RMB172.7 million to RMB226.1 million, which was driven by (i) the market rebound as a result of the relaxation in the travel restrictions to cope with COVID-19; and (ii) favourable policies rolled out in the

FINANCIAL INFORMATION

PRC in FY2023, including the subsidies and incentives to boost automotive consumption. The increase in sales in this segment was also attributable to (iii) the efforts the Group's implementation of the group purchasing strategy, which commenced in the second half of 2022, resulting in an increase in sales of in-vehicle infotainment systems from RMB96.6 million in FY2022 to RMB126.7 million in FY2023, representing an increase of RMB30.1 million, among which RMB9.3 million or 30.9% was contributed by new customers after launching group purchasing campaigns. In addition, in FY2023, (iv) we launched new models of streaming media rear-view mirror with enhanced functions such as driving, recorder and voice control, boosting the sales of our in-vehicle safety system; and (v) we launched new models of core boards with upgraded functions such as wireless phone connectivity, improved algorithm, improved image recognition, and the enhanced functionalities had been well-received by our customers. As a result of the foregoing, our sales of in-vehicle infotainment system increased from approximately RMB96.6 million to RMB126.7 million; our sales of in-vehicle safety system increased from approximately RMB13.4 million to RMB24.9 million; and our sales of core board from RMB62.6 million to RMB74.5 million from FY2022 to FY2023.

(2) SaaS marketing and management services

During the Track Record Period, revenue from our SaaS marketing and management services was RMB150.8 million, RMB241.2 million and RMB334.5 million, representing 46.2%, 58.3% and 59.7% of our total revenue, respectively. The overall increasing trend in the revenue and revenue contribution from our SaaS marketing and management services was driven by (i) our increased sales and marketing efforts to develop our SaaS marketing and management services; (ii) increased investments in expanding our sales efforts to promote our SaaS value-added services and (iii) our strategy to establish local offices in principal geographical area which allowed our Group's direct sales force to support the regional sales, thereby expanding our sales network and customer base.

Our SaaS marketing and management services can be further classified into (1) SaaS subscription services and (2) SaaS value-added services.

During the Track Record Period, our revenue derived from SaaS subscription services was approximately RMB141.5 million, RMB130.3 million and RMB134.5 million, respectively, representing approximately 43.3%, 31.5% and 24.0% of our total revenue, respectively. From FY2021 to FY2022, the revenue derived from SaaS subscription services decreased from RMB141.5 million to RMB130.3 million. Such decrease was mainly due to the decreasing average revenue per active 4S store customers for Dijia SaaS as a result of the negative impact brought by reoccurrences of COVID-19 during FY2022 and in particular, the traveling restrictions imposed within the PRC and city-wide lock-downs happening across numerous cities, which led to the reduced demand of our SaaS marketing and management services from our 4S store customers. From FY2022

FINANCIAL INFORMATION

to FY2023, the revenue derived from SaaS subscription services further increased from RMB130.3 million in FY2022 to RMB134.5 million in FY2023, representing an increase of approximately RMB4.2 million.

During the Track Record Period, our revenue derived from SaaS value-added services was RMB9.3 million, RMB110.9 million and RMB199.9 million, respectively, representing approximately 2.9%, 26.8% and 35.7% of our total revenue, respectively. The continuous increasing trend in revenue contribution from our SaaS value-added services since FY2021 was due to (i) the growing market demand, (ii) our increased variety of service offerings, (iii) our increased efforts in expanding our sales efforts to promote our SaaS value-added services in 2021 and (iv) our strategy to establish local offices in principal geographical areas, which allowed our Group's direct sales force to support the regional sales, thereby expanding our sales network and customer base.

According to CIC Report, with the increasing varieties of 4S stores' value-added service lines and complexity of digitalisation marketing and management software services for stores in the automotive aftermarket industry, 4S stores have shown their growing demand for SaaS value-added services since the outbreak of COVID-19. The Directors believe that SaaS value-added services is an innovative business model for the automotive aftermarket industry with a huge growth potential.

To capture this new business opportunity, we have launched our SaaS value-added services in FY2021 and continuously expanded the varieties of our service offerings to capture the growing market demand. For example, in FY2021, our SaaS value-added services covered auto decoration products and services; whereas in FY2022, we promoted our group purchasing campaign service as part of our SaaS value-added service. Besides, in the second half of 2023, we also commenced cooperation with a NEV OEM to assist its NEV 4S stores with an aim to improving the conversion rates of extended warranty sales for these NEV 4S stores.

In view of the vast industry potential, and in addition to rolling out new service offerings, we have also placed strategic focus on targeting 4S stores groups and expand our customer base with our SaaS value-added service offerings and our increased marketing efforts in promoting these services, which contributed to the increase in the number of our active 4S store customers from 667 stores as at 31 December 2022 to 1,429 stores as at 31 December 2023. Besides, since we launched our SaaS value-added services in 2021, our SaaS value-added business was at its initial stage and took time to grow our customer base. As our customer base continue to develop and the varieties of our service offerings increased, we achieved a significant growth in our revenue in FY2021 and FY2022. As a result of the foregoing, the average revenue per 4S store customer for SaaS value-added services increased from RMB83,000 for FY2021 to RMB166,000 for FY2022 and decreased to RMB139,920 for FY2023 while expanding the number of our active 4S store customers .

FINANCIAL INFORMATION

In addition, we also adopted a strategy to establish local offices in principal geographical areas where our major 4S store customers operate, which allows our Group’s direct sales force to support the regional sales while expanding our sales network and customer base, which had the effect of quickly increasing our revenue contribution from our SaaS value-added service offerings. For this purpose, we have established 69 subsidiaries under Dijia Smart Cloud to carry out our business covering various regions of China as at the Latest Practicable Date.

Revenue by sales channel

	FY2021		FY2022		FY2023	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%
Direct Sales						
Sales of in-vehicle hardware products						
products	143,349	43.8	124,197	30.0	138,751	24.7
SaaS marketing and management services						
management services . . .	104,816	32.1	199,059	48.1	305,013	54.4
SaaS subscription services .	95,502	29.2	88,141	21.3	105,067	18.7
SaaS value added services (Note)	9,314	2.9	110,918	26.8	199,946	35.7
Sales by channel partners						
Sales of in-vehicle hardware products						
products	32,598	10.0	48,475	11.7	87,347	15.6
SaaS marketing and management services						
management services . . .	46,011	14.1	42,129	10.2	29,458	5.3
SaaS subscription services .	46,011	14.1	42,129	10.2	29,458	5.3
Total	326,774	100.0	413,860	100.0	560,569	100.0

Note: During the Track Record Period, we provided SaaS value-added services through direct sales only.

During the Track Record Period, our sales were primary conducted through: (i) direct sales by our sales and marketing team, and (ii) distributing our in-vehicle hardware and SaaS subscription services through our channel partners. For further details on our business model with direct sales and sales to channel partners, please refer to the section headed “Business – Sales and marketing – Sales channels” of this document. During the Track Record Period, our revenue from direct sales represented approximately 75.9%, 78.1% and 79.1%, respectively; whereas our revenue from sales by channel partners were 24.1%, 21.9% and 20.9%, respectively. The overall increasing trend from FY2021 to FY2023 in the proportion of our direct sales was due to our strategy to establish local offices in principal geographical area where our major 4S store customers operate, which allowed our Group’s direct sales force to support the regional

FINANCIAL INFORMATION

sales of our different services offerings, including in particular our SaaS value-added services to our 4S store customers. For FY2023, the revenue of sales of in-vehicle hardware products through both direct sales and sales by channel partners increased, which was attributable to (i) the increase of sales derived from (a) the group purchase initiatives through the direct sales channel by 11.7% to RMB138.8 million and (b) the increase in sales of our core boards with improved functionalities, (ii) we achieved significant increase of sales to our channel partners to RMB87.3 million due to new models of rear-view mirrors and in-vehicle infotainment systems being introduced.

Cost of sales

During the Track Record Period, our costs of sales primarily consisted of (i) costs of hardware (ii) installation costs and (iii) data traffic and cost of services.

Costs of hardware primarily consisted of electronic components that we procured for the manufacturing of our in-vehicle hardware products including in-vehicle entertainment, core boards and in-vehicle safety devices, and the key components that we purchased included touch screens, cameras, recorders, and GPS modules. We purchase these electronic components and provide them to our third party hardware manufacturers for assembly and integration.

Installation costs primarily consisted of costs charged by technicians who install our in-vehicle hardware products into vehicles and warehousing expenses before our in-vehicle hardware products were installed.

Data traffic and costs of services primarily consisted of data usage fees payable to mobile network operators for maintaining the wireless connections between our customers, car users and in-vehicle hardware.

The following table sets out the breakdown of our cost of sales during the Track Record Period:

	FY2021		FY2022		FY2023	
	Cost of sales	Percentage of cost of sales	Cost of sales	Percentage of cost of sales	Cost of sales	Percentage of cost of sales
	RMB'000	%	RMB'000	%	RMB'000	%
Costs of hardware	186,140	80.2	185,874	77.2	238,772	77.3
Installation costs	26,727	11.5	31,210	13.0	35,618	11.5
Data traffic and costs of services	19,226	8.3	23,587	9.8	34,401	11.2
Total	232,093	100.0	240,671	100.0	308,791	100.0

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in (i) costs of hardware; (ii) installation costs; and (iii) data traffic and costs of services on our profit before taxation for the years indicated, assuming all other factors affecting our profitability had remained unchanged.

Increase/decrease in costs of hardware:

	Increase/Decrease by 1%	Increase/Decrease by 5%	Increase/Decrease by 10%
	RMB'000	RMB'000	RMB'000
Corresponding change in profit before taxation			
FY2021.	+/-1,861	+/-9,307	+/-18,614
FY2022.	+/-1,859	+/-9,294	+/-18,587
FY2023	+/-2,388	+/-11,939	+/-23,877

Increase/decrease in installation costs:

	Increase/Decrease by 1%	Increase/Decrease by 5%	Increase/Decrease by 10%
	RMB'000	RMB'000	RMB'000
Corresponding change in profit before taxation			
FY2021.	+/-267	+/-1,336	+/-2,673
FY2022.	+/-312	+/-1,561	+/-3,121
FY2023	+/-356	+/-1,781	+/-3,562

Increase/decrease in data traffic and cost of services:

	Increase/Decrease by 1%	Increase/Decrease by 5%	Increase/Decrease by 10%
	RMB'000	RMB'000	RMB'000
Corresponding change in profit before taxation			
FY2021.	+/-192	+/-961	+/-1,923
FY2022.	+/-236	+/-1,179	+/-2,359
FY2023	+/-344	+/-1,720	+/-3,440

Prospective investors should note that the above analysis on the historical financial information are based on assumptions and are for reference only and should not be viewed as actual impact arising from fluctuation of our costs.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Gross profit and gross profit margin by business line

Our gross profit represents the excess of our revenue over costs of sales. During the Track Record Period, our gross profit amounted to RMB94.7 million, RMB173.2 million and RMB251.8 million, respectively, representing a gross profit margin of approximately 29.0%, 41.8% and 44.9%, respectively. The table below shows a breakdown of our gross profit and gross profit margin by business line during the Track Record Period:

	FY2021		FY2022		FY2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of in-vehicle hardware products						
In-vehicle infotainment						
system	9,676	12.1	22,112	22.9	24,338	19.2
In-vehicle safety system	4,694	27.9	4,197	31.2	5,407	21.7
Core board	12,158	15.3	7,701	12.3	10,645	14.3
<i>Sub-total</i>	26,528	15.1	34,010	19.7	40,390	17.9
SaaS marketing and management services						
SaaS subscription services . .	61,475	43.4	52,025	39.9	51,594	38.4
SaaS value-added services . .	6,678	71.7	87,154	78.6	159,794	79.9
<i>Sub-total</i>	68,153	45.2	139,179	57.7	211,388	63.2
Total	94,681	29.0	173,189	41.8	251,778	44.9

FINANCIAL INFORMATION

Gross profit and gross profit margin by sales channel

The table below shows a breakdown of our gross profit and gross profit margin by sales channel during the Track Record Period:

	FY2021		FY2022		FY2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Direct Sales						
Sales of in-vehicle hardware products	22,789	15.9	24,944	20.1	26,436	19.1
SaaS marketing and management services						
SaaS subscription services	37,554	39.3	33,117	37.6	40,970	39.0
SaaS value-added services (Note)	6,678	71.7	87,154	78.6	159,794	79.9
Sales by channel partners						
Sales of in-vehicle hardware products	3,739	11.5	9,066	18.7	13,954	16.0
SaaS marketing and management services						
SaaS subscription services	23,921	52.0	18,908	44.9	10,624	36.1
Total	94,681	29.0	173,189	41.8	251,778	44.9

Note: During the Track Record Period, we provided SaaS value-added services through direct sales only.

During the Track Record Period, our gross profit was RMB94.7 million, RMB173.2 million and RMB251.8 million, respectively. Our gross profit increased from RMB94.7 million for FY2021 to RMB173.2 million for FY2022, representing an increase of approximately RMB78.5 million or 82.9%. The significant growth in gross profit of our Group since FY2022 was mainly attributable by the increasing revenue and gross profit contribution by our SaaS value-added services which was primarily due to (i) the growing market demand, (ii) our increased service offerings, (iii) our increased efforts in expanding our sales efforts to promote our SaaS value-added services in 2021 and (iv) our strategy to establish local offices in principal geographical areas which increased from RMB6.7 million for FY2021 to RMB87.2 million for FY2022. Our gross profit further increased from RMB173.2 million for FY2022 to RMB251.8 million for FY2023, representing an increase of approximately RMB78.6 million or 45.4%. Such significant growth in gross profit of our Group was mainly attributable to (i) the increasing revenue and gross profit contribution by our SaaS value-added services; and (ii) the increasing

FINANCIAL INFORMATION

revenue contribution from our sales of in-vehicle hardware products, which was brought by the group purchasing campaign service we launched under our SaaS value-added service starting from second half of FY2022.

Our overall gross profit margin is affected by the mix in revenue contribution by our different business lines. During the Track Record Period, our SaaS marketing and management services had higher gross profit margins than our sales of in-vehicle hardware products.

During the Track Record Period, the gross profit margin of our sales of in-vehicle hardware products ranged from 15.1% to 19.7%. Our gross profit margin for a particular period within the Track Record Period was primarily affected by the type of hardware that we sell (for example, during the Track Record Period our in-vehicle safety systems generally commanded higher gross profit margins than in-vehicle infotainment system and core boards), and to a lesser extent our gross profit margin was also affected by whether the hardware was sold through direct sales or channel partners.

During the Track Record Period, the gross profit margin of our SaaS subscription services ranged from 38.4% to 43.4%. We generally achieve a higher gross profit margin when our SaaS subscription services are distributed by channel partners, which ranged from 36.1% to 52.0%. Such higher gross profit margin of SaaS subscription services was resulted from the reduced installation costs, which were normally incurred by ourselves when we provide SaaS subscription services through direct sales.

During the Track Record Period, the gross profit margin of our SaaS value-added services recorded the highest gross profit margin among our different business lines, which ranged from 71.7% to 79.9%. Our SaaS value-added services would generally command higher gross profit margins because (i) there are fewer raw materials required for our SaaS value-added services and the cost of raw materials when compared to their sales price are generally low, and (ii) our revenue from auto decoration products and services are derived from end car users, and as a result we are able to command higher profit margins as we have flexibility to determine prices over the services that we offer, leveraging on our knowledge on the market, the car users' needs for light auto modification and needs for car accessories and our economy of scale. Our management considered the accounting treatment to classify the user traffic acquisition expenses as the advertising expenses under our "Distribution and selling expenses" is appropriate, given that (i) the direct costs of our SAAS value-added services include costs for hardware such as automotive sun films, vehicle protective cover and other vehicle accessories products and installation costs; and (ii) our user traffic acquisition expenses is paid to 4S stores to drive usage and advertise our overall business development for advertising and customer acquisition purpose. As such, our management considered that the traffic acquisition cost is not directly attributable to the provision of SaaS value added services.

FINANCIAL INFORMATION

In view of the business nature of our SaaS value-added services which involves fewer raw materials, our target customers group who are largely individual car users, and user traffic acquisition expenses being categorised as operating expenses, we enjoy better gross profit margin advantage in this business sub-segment as compared to our other business segments.

In FY2021, we recorded relatively lower overall gross profit and gross profit margin as compared to other years during the Track Record Period. During FY2021, our gross profit and gross profit margin were negatively affected by (i) our product mix as we sold more of lower-cost and lower-priced in-vehicle hardware products such as core board, leading to the lower gross profit margin in FY2021, and (ii) the costs associated with the in-vehicle hardware manufacturing such as the costs of hardware leading to the decreased profit margin of our in-vehicle infotainment system and core board, which were partially offset by (iii) the revenue contribution from our SaaS marketing and management services which has a higher gross profit margin as compared to our sales of in-vehicle hardware products as our SaaS marketing and management services do not require high hardware manufacturing or high installation costs. From FY2021 to FY2023, we recorded an increased gross profit margin, as a result of the increasing revenue contribution of our SaaS value-added services which has a higher gross profit margin as compared to our other business lines.

Our gross profit increased from RMB173.2 million for FY2022 to RMB251.8 million for FY2023, representing an increase of RMB78.6 million or 45.4%. Such significant growth in gross profit of our Group was mainly attributable by (i) the increasing revenue and gross profit contribution by our SaaS value-added services; and (ii) the increasing revenue contribution from our sales of in-vehicle hardware products, which was brought by the group purchasing campaign service that we launched under our SaaS value-added service starting from second half of FY2022. Our gross profit margin increased from 41.8% for FY2022 to 44.9% for FY2023. The increase in our overall gross profit margin was driven by the increase in our revenue contribution by our SaaS value-added services, which have the relatively higher gross margin as compared to our other business lines as previously discussed.

Riding on our Group's market position, our continuous efforts to provide industry specific and diversified products and services, and our diverse customer base and stable relationships with customers, our Directors are confident that we can continue to grow steadily.

FINANCIAL INFORMATION

Other income

During the Track Record Period, the key components of our other income were interest income on bank deposits, interest income from financial assets at FVTPL, government grants and refund of PRC value added tax and surcharges. During the Track Record Period, we recorded other income of RMB15.0 million, RMB9.7 million and RMB9.7 million, respectively. The following table sets out a breakdown of our other income:

	FY2021	FY2022	FY2023
	RMB'000	RMB'000	RMB'000
Interest income on bank deposits and time deposits with maturity over three months	5,977	3,883	2,494
Interest income from financial assets at FVTPL	–	–	181
Government grants	1,690	1,743	725
Refund of PRC value added tax and surcharges	7,333	4,049	6,337
	15,000	9,675	9,737

We derived interest income on bank deposits and certain capital-guaranteed wealth management products during the Track Record Period through the investment of idle cash.

We derive interest income from financial assets at FVTPL as the fair value of financial assets at FVTPL increased.

Government grants that we recognised during the Track Record Period primarily represented the government subsidies received by our Group to compensate the interest expense on certain borrowings, to support the research and development of our Group and to purchase property, plant and equipment which is deferred income and being recognised to profit or loss on a systematic basis over the estimated useful life. There were no unfulfilled conditions attached to those grants.

FINANCIAL INFORMATION

Refund of PRC value-added tax and surcharges represented refunds of certain VAT payments pursuant to preferential governmental policies, of which our Group’s softwares that are embedded into our in-vehicle hardware products were eligible for a certain percentage of refunds based on the actual VAT paid.

Other gains and losses

Our other gains and losses during the Track Record Period primarily consisted of gain from changes in fair value of financial assets at FVTPL and loss on disposal of property, plant and equipment. During the Track Record Period, other gains from changes in fair value of financial assets is due to our purchase of investment fund product during FY2021. In FY2022, the gains from changes in fair value of financial assets at FVTPL increased significantly mainly due to the change in the fair value of the investment product held by the Company as a result of the steady growth in the net value of the investment product due to increase in its external investment returns, including the receipt of interest payments from and the market value of the investment product. The following table sets out a breakdown of our other gains and losses for the years indicated:

	FY2021	FY2022	FY2023
	RMB’000	RMB’000	RMB’000
Gain from changes in fair value of financial assets at FVTPL	321	8,495	9,637
Loss on disposal of property, plant and equipment	(61)	(205)	(132)
Loss on disposal of interest in an associate	–	(126)	–
Exchange gain	–	–	209
	260	8,164	9,714

For further details of our Group’s investment, please refer to the paragraph headed “Description Of Selected Items In The Consolidated Statements Of Financial Position—Financial assets at fair value through profit or loss (FVTPL)” in this section.

Impairment losses recognised under expected credit loss model, net or reversal

Our Group determines the provision for impairment of trade receivables on a forward-looking basis and provides for expected lifetime losses prescribed by IFRS 9. During the Track Record Period, we recorded impairment losses recognised under expected credit loss model of RMB0.1 million, RMB0.5 million and RMB1.6 million, respectively. In FY2021, the impairment loss recognised was reduced to RMB0.1 million due to our overall improvement in collecting trade receivables from our customers. In

FINANCIAL INFORMATION

FY2022, an impairment loss of approximately RMB0.5 million was recognised due to the increase in the balance of trade and other receivables. In FY2023, an impairment loss of approximately RMB1.6 million was recognised due to the increase in the balance of trade and other receivables. See note 9 to the Accountants’ Report in Appendix I to this document for further details.

Distribution and selling expenses

The following table sets out the breakdown of our distribution and selling expenses during the Track Record Period:

	FY2021		FY2022		FY2023	
	RMB’000	%	RMB’000	%	RMB’000	%
Staff costs	14,608	46.0	19,161	21.0	17,642	11.1
Advertising expenses .	8,812	27.7	61,298	67.2	127,676	80.2
Depreciation and amortisation	2,006	6.3	4,153	4.5	6,040	3.8
Rent and management fee	1,450	4.6	1,694	1.9	1,068	0.7
Traveling expenses . . .	1,065	3.3	1,674	1.8	2,716	1.7
Entertainment expenses	1,661	5.2	1,610	1.7	2,273	1.4
Others	2,205	6.9	1,690	1.9	1,711	1.1
Total	<u>31,807</u>	<u>100.0</u>	<u>91,280</u>	<u>100.0</u>	<u>159,126</u>	<u>100.0</u>

Our distribution and selling expenses primarily consist of (i) staff costs, including salaries, bonus and retirement benefits paid to our employees in the sales and marketing team and (ii) advertising expenses. During the Track Record Period, our distribution and selling expenses were RMB31.8 million, RMB91.3 million and RMB159.1 million respectively.

From FY2021 to FY2022, our distribution and selling expenses further increased from RMB31.8 million to RMB91.3 million mainly due to the increase in advertising expenses. From FY2022 to FY2023, our distribution and selling expenses further increased from RMB91.3 million to RMB159.1 million mainly due to the increase in advertising expenses, which increased from RMB61.3 million to RMB127.7 million as a result of the increase in varieties of services offered under our SaaS value-added service.

FINANCIAL INFORMATION

The increasing trend shown in our advertising expenses since FY2021 to FY2023 was mainly due to the increasing user traffic acquisition expenses payable to 4S stores, which would be incurred when we provide SaaS value-added services. The increasing trend is in line with our (i) growth in SaaS value-added services and (ii) increasing number of 4S stores of SaaS value-added services. As at 31 December 2021, 2022 and 2023, the number of 4S store customers that deploy our SaaS value-added services was 112, 667 and 1,429, respectively.

Administrative expenses

The following table sets out the breakdown of our administrative expenses during the Track Record Period:

	FY2021		FY2022		FY2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	10,648	61.4	11,208	61.0	13,003	61.4
Office expenses	1,230	7.1	1,426	7.8	1,069	5.0
Depreciation and amortisation	1,551	8.9	1,613	8.8	1,685	7.9
Professional fees	442	2.5	153	0.8	589	2.8
Rent and management fee	262	1.5	391	2.1	411	2.0
Entertainment expenses	1,842	10.6	1,964	10.7	2,336	11.0
Bank charges and administrative fees	292	1.7	468	2.5	876	4.1
Others	1,081	6.3	1,144	6.3	1,234	5.8
Total	17,348	100.0	18,367	100.0	21,203	100.0

Our administrative expenses primarily consist of (i) staff costs relating to our administrative staff, (ii) depreciation and amortisation expenses allocated to administrative activities, and (iii) office expenses (iv) entertainment expenses and (v) professional fees. Our administrative expenses were RMB17.3 million, RMB18.4 million and RMB21.2 million during the Track Record Period, respectively.

FINANCIAL INFORMATION

Research and development expenditure

The following table sets out the breakdown of our research and development expenditure during the Track Record Period:

	FY2021		FY2022		FY2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	13,756	81.9	13,275	78.1	13,533	74.9
Depreciation and amortisation	1,742	10.3	2,194	12.9	2,683	14.8
Rent and management fee	345	2.1	377	2.2	338	1.9
Office expenses	485	2.9	333	2.0	520	2.9
Consultation and testing fees	150	0.9	425	2.5	280	1.5
Other expenses	325	1.9	395	2.3	720	4.0
Total	<u>16,803</u>	<u>100.0</u>	<u>16,999</u>	<u>100.0</u>	<u>18,074</u>	<u>100.0</u>

Our research and development expenditure primarily consist of (i) staff costs expenses relating to our research and development staff, (ii) depreciation and amortisation allocated to our research and development activities and (iii) rental expenses and office expenses incurred by our research and development staff relating to our research and development activities. Our research and development expenditure was RMB16.8 million, RMB17.0 million and RMB18.1 million during the Track Record Period, respectively.

Share of results of associates

Our share of results of associates represented our share of the operating results of our associates, including (i) Qihou Youjian, in which we hold a 23.00% equity interest during FY2021 and (ii) 13 associates established during FY2023. Our share of results of associates was RMB(57,000), nil and RMB174,000 during the Track Record Period, respectively. During the FY2022, we disposed our 5.00% equity interest in Qihou Youjian. Upon the completion of the transaction, we no longer have significant influence in Qihou Youjian and the remaining 18.00% equity interest is accounted as financial assets at FVTPL.

FINANCIAL INFORMATION

[REDACTED]

Our [REDACTED] mainly represented the professional service fees arising in connection with the [REDACTED] and the [REDACTED]. Our [REDACTED] were RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million during the Track Record Period, respectively.

Finance costs

Our finance costs mainly represented interest on borrowings and interest on lease liabilities. Our finance costs were RMB1.9 million, RMB1.6 million and RMB2.3 million during the Track Record Period, respectively. See note 10 to the Accountants’ Report in Appendix I to this document for further details of our finance costs.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of our Group domicile or operate.

(i) Cayman Islands and the BVI

Our Group is not subject to any income tax in the Cayman Islands or the BVI during the Track Record Period.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong during the Track Record Period.

(iii) PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The national corporate income tax rate in the PRC is 25%. Guanglian Saixun, one of the entities comprising the Group, was qualified as a “High and New Technology Enterprise” (“HNTTE”) since 9 November 2018, and was subject to a preferential income tax rate of 15% the three years ended until 9 November 2021. Guanglian Saixun’s HNTTE status was approved to extended for another 3 years on 23 December 2021, and Guanglian Saixun is subject to a preferential income tax rate of 15% until 23 December 2024.

Since 2020, a number of our subsidiaries, namely, Guanglian Shuke, Hanhuaxing Technology and Dijia Smart Cloud enjoyed lower income tax rates of 5% for the two years ended 31 December 2021, by virtue of their statuses as “Small-Sized Micro-Profit Enterprise” (小型微利企業), while the assessable profit of our other PRC subsidiaries

FINANCIAL INFORMATION

were subject to a statutory income tax rate of 25%, which is determined in accordance with the EIT Law. We were also entitled to the “Weighted Pre-tax Deduction of Research and Development Expenses” (研發費用加計扣除政策), which reduced the taxes payable on the basis of our qualified research and development expenses during the Track Record Period. See notes 11 and 21 to the Accountants’ Report in Appendix I to this document for further details.

Our income tax expense amounted to RMB5.3 million, RMB5.6 million and RMB7.4 million during the Track Record Period, respectively. Our effective tax rate was 13.1%, 10.6% and 12.6% during the Track Record Period, respectively. Our effective tax rate was lower than the statutory tax rate of 25% mainly due to the lower income tax rates of 5% enjoyed by Hanhuaxing Technology and Dijia Smart Cloud for the two years ended 31 December 2021, and income tax rate of 2.5% enjoyed by them for the year ended 31 December 2022 by virtue of their statuses as “Small-Sized Micro-Profit Enterprise” (小型微利企業) as mentioned above and the deductible allowance for research and development cost for tax refund purpose. In addition, during the Track Record Period we also used deferred tax assets to offset profits made, which also had the effect of lowering effective tax rate. Our effective tax rate increased to 12.6% for FY2023. We recorded a higher effective rate in FY2023 as compared to FY2022 was mainly attributable to the increase of tax rate from 2.5% in FY2022 to 5% in FY2023 of certain of our subsidiaries due to the change in the PRC policies.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

FY2023 compared to FY2022

Revenue

Our total revenue increased from RMB413.9 million for FY2022 to RMB560.6 million for FY2023, representing an increase of approximately RMB146.7 million or 35.4%. The significant increase in overall revenue was mainly attributable to the (i) increase in revenue from sales of in-vehicle hardware products of approximately RMB53.4 million and (ii) increase in revenue from SaaS value-added services of approximately RMB89.0 million, which was driven by the market rebound and favourable policies rolled out in the PRC in FY2023, including the relaxation in the travel restrictions to cope with COVID-19, and the subsidies and incentives to boost the automotive consumption, leading to the increase in sales of automotive and thus the demand for our services.

(1) Sales of in-vehicle hardware products

From FY2022 to FY2023, we achieved a significant increase in our sales of in-vehicle hardware products from approximately RMB172.7 million to RMB226.1 million, which was driven by (i) the market rebound as a result of the relaxation in the travel restrictions to cope with COVID-19; and (ii) favourable policies rolled out in the

FINANCIAL INFORMATION

PRC in FY2023, including the subsidies and incentives to boost automotive consumption. The increase in sales in this segment was also attributable to (iii) the efforts the Group’s implementation of the group purchasing strategy, which commenced in the second half of 2022, resulting in an increase in sales of in-vehicle infotainment system from RMB96.6 million in FY2022 to RMB126.7 million in FY2023, representing an increase of RMB30.1 million, among which RMB9.3 million or 30.9% was contributed by new customers after launching group purchasing campaign. In addition, in FY2023, (iv) we launched new models of streaming media rear-view mirror with enhanced functions such as driving, recorder and voice control, boosting the sales of our in-vehicle safety system; and (v) we launched new models of core boards with upgraded functions such as wireless phone connectivity, improved algorithm, improved image recognition, and the enhanced functionalities had been well-received by our customers. As a result of the foregoing, our sales of in-vehicle infotainment system increased from approximately RMB96.6 million to RMB126.7 million; our sales of in-vehicle safety system increased from approximately RMB13.4 million to RMB24.9 million; and our sales of core board from RMB62.6 million to RMB74.5 million from FY2022 to FY2023. The significant increase in our sales of in-vehicle hardware products was also attributable to (vi) the expansion of our integrated online and offline marketing services, which led to an increase in revenue contribution of in-vehicle infotainment system and in-vehicle safety system through the implementation of the group purchasing strategy.

(2) SaaS marketing and management services

From FY2022 to FY2023, we achieved a significant increase in our sales in SaaS marketing and management services from approximately RMB241.2 million to RMB334.5 million, as a result of overall increase in sales of our SaaS subscription services and SaaS value-added services driven by the market rebound and favourable policies rolled out in the PRC in FY2023, which has led increase in user demand. From FY2022 to FY2023, the revenue derived from SaaS subscription remained relatively stable at RMB130.3 million and RMB134.5 million respectively. From FY2022 to FY2023, the revenue derived from SaaS value-added services increased from RMB110.9 million to RMB199.9 million, primarily due to (i) the increase in the revenue contribution of auto decoration products and services from RMB101.8 million for FY2022 to RMB176.8 million for FY2023; and (ii) the increase in the number of our active 4S store customers from 667 stores as at 31 December 2022 to 1,429 stores as at 31 December 2023. The significant increase in our SaaS value-added services was due to (i) the growing market demand, (ii) our increased service offerings, (iii) our increased efforts in expanding our sales efforts to promote our SaaS value-added services in 2021 and (iv) our strategy to establish local offices in principal geographical area which allowed our Group’s direct sales force to support the regional sales, thereby expanding our sales network and customer base.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased from RMB240.7 million for FY2022 to RMB308.8 million for FY2023, representing an increase of approximately RMB68.1 million or 28.3%. The increase in cost of sales is in line with our overall increase in revenue during the FY2023. The increase in cost of sales is mainly driven by (i) increase in cost of hardware brought by the increase in sales of in-vehicle hardware products; and (ii) increase in data traffic and costs of services brought by the increasing revenue contribution in SaaS value added services.

Gross profit and gross profit margin

Our gross profit increased from RMB173.2 million for FY2022 to RMB251.8 million for FY2023, representing an increase of RMB78.6 million or 45.4%. Such significant growth in gross profit of our Group was mainly attributable by (i) the increasing revenue and gross profit contribution by our SaaS value-added services; and (ii) the increasing revenue contribution from our sales of in-vehicle hardware products business, which was brought by the group purchasing campaign service that we launched under our SaaS value-added service starting from second half of FY2022. Our gross profit margin increased from 41.8% for FY2022 to 44.9% for FY2023. The increase in our overall gross profit margin was driven by the increase in our revenue contribution by our SaaS value-added services, which have the relatively higher gross margin as compared to our other business lines as previously discussed.

Other income

Our other income remained stable at RMB9.7 million for each of FY2022 and FY2023 mainly due to decrease in interest income on bank deposits and time deposits with maturity over three months, which is partially offset by the increase in refund of PRC VAT and surcharges received for embedded software sold together with our in-vehicle devices, which is in line with our increase revenue from our sales of in-vehicle hardware products business.

Other gains and losses

Our other gains and losses increased from gain of RMB8.2 million for FY2022 to RMB9.7 million for FY2023 mainly due to the increase in gain from changes in fair value of financial assets at FVTPL as a result of increase in the fair value of the investment product during the year.

Impairment losses recognised under expected credit loss model, net of reversal

Our impairment losses recognised increased from RMB0.5 million for FY2022 to RMB1.6 million for FY2023 mainly due to the increase in trade receivables recognised in FY2023 and the increase in the balance of trade and other receivables.

FINANCIAL INFORMATION

Distribution and selling expenses

Our distribution and selling expenses increased from RMB91.3 million for FY2022 to RMB159.1 million for FY2023. The significant increase was mainly attributable to (i) the increase in advertising expenses of approximately RMB66.4 million as a result of the increased advertising expenses incurred for the business expansion of SaaS value-added services during FY2023; (ii) increase in depreciation and amortisation of approximately RMB1.9 million. In particular, the advertising expenses primarily consisted of user traffic acquisition expenses, marketing service expenses and selling expenses. User traffic acquisition expenses mainly represented the expenses of user traffic we purchased from our 4S store customers. Our user traffic acquisition expenses may vary due to a number of factors, including, the location of the 4S stores, the expected sales volume of 4S store customers, the expected traffic flow of the car user customers in the 4S stores, and the target customer types. Our user traffic acquisition expenses accounted for a substantial portion of our advertising expenses during the Track Record Period, as we generally acquired user traffic from 4S stores, which is in line with the market practice. Further, as we need to acquire user traffic from each 4S stores customers, our user traffic acquisition expenses increases as we expand our 4S store customers network and serve new 4S stores customers. As at 31 December 2023, the number of active 4S store customers of SaaS value-added services was 1,429. Besides, with the COVID-19 relaxation measures since 2023, we have actively participated in industry conferences and exhibitions such as the 2023 CIMP AutoEcosystems Expo in March 2023 to promote our services during FY2023.

Administrative expenses

Our administrative expenses increased from RMB18.4 million for FY2022 to RMB21.2 million for FY2023. The increase was mainly attributable to the increase in staff cost as a result of increase in headcount of our administrative functions and increase in entertainment expenses to cope with the overall business expansion of the Group.

Research and development expenditure

Our research and development expenditure increased from RMB17.0 million for FY2022 to RMB18.1 million for FY2023. The increase way mainly attributable to the overall business expansion of the Group.

Finance costs

Our finance costs remained relatively stable at RMB1.6 million for FY2022 and RMB2.3 million for FY2023.

FINANCIAL INFORMATION

[REDACTED]

We incurred [REDACTED] in the amount of RMB[REDACTED] million and RMB[REDACTED] million for FY2022 and FY2023, respectively.

Income tax expense

Our income tax expense increased from RMB5.6 million for FY2022 to RMB7.4 million for FY2023, which is primarily attributable to our increased taxable income due to the increased profit recorded during FY2023. Our effective tax rate increased from 10.6% for FY2022 to 12.6% for FY2023. We recorded a higher effective rate in FY2023 as compared to FY2022 was mainly attributable to the increase of tax rate from 2.5% in FY2022 to 5% in FY2023 of certain of our subsidiaries due to the change in the PRC policies, leading to an increase in applicable tax rate.

Profit for the year

For the reasons mentioned above, our profit for the year increased from RMB47.4 million for FY2022 to RMB51.5 million for FY2023, representing an increase of approximately RMB4.1 million or 8.7%. Our net profit margin decreased from approximately 11.5% for FY2022 to approximately 9.2% for FY2023 mainly due to the increase in operating expenses in FY2023.

FY2022 compared to FY2021

Revenue

Our revenue increased from RMB326.8 million for FY2021 to RMB413.9 million for FY2022, representing an increase of approximately RMB87.1 million or 26.7%. The significant growth in revenue was driven by (i) the increase in revenue from SaaS value-added services as a result of our continuous effort to promote and develop SaaS value-added services and expansion in the number of our 4S store customers and partially offset by (ii) the slight decrease in revenue from sales of in-vehicle hardware products.

(1) Sales of in-vehicle hardware products

Our revenue generated from sales of in-vehicle hardware products decreased from RMB175.9 million for FY2021 to RMB172.7 million for FY2022, representing a decrease of approximately RMB3.3 million or 1.9%. Such slight decrease was mainly due to (i) the decrease in sales of our in-vehicle hardware products; (ii) travel restriction imposed within the PRC, leading to the reduced demand of our in-vehicle hardware products; (iii) negative impact brought by the resurgence of COVID-19 in FY2022 in certain cities in China and on the operations of our 4S store customers.

FINANCIAL INFORMATION

From FY2021 to FY2022, we achieved a rebound in our sales of in-vehicle infotainment system from approximately RMB79.7 million to RMB96.6 million as the sales of our in-vehicle infotainment systems increased significantly as a result of the group purchasing campaign service that we launched under our SaaS value-added service starting from the second half of FY2022 under which our 4S stores customers promote a wide range of vehicle-related products and services to car users, which drove up the sales of our in-vehicle infotainment and in-vehicle safety products. The sales of in-vehicle infotainment system increased from RMB79.7 million in FY2021 to RMB96.6 million in FY2022, representing an increase of RMB17.0 million, among which RMB14.0 million or 82.5% was contributed by new customers after launching group purchasing campaign.

However, the sales of our in-vehicle safety system decreased from approximately RMB16.8 million in FY2021 to approximately RMB13.4 million in FY2022, resulting from the decrease in sales of our rear-view mirror product. Besides, the sales of our core board decreased from approximately RMB79.5 million to RMB62.6 million as some of the products gradually phased out in FY2022 due to lower demand. Furthermore, the Group's sales of in-vehicle hardware products was negatively affected by the uncertainty in the PRC economy triggered by the travel restrictions that have been put into place to cope with COVID-19, which did not officially end until the first half of 2023. As a result of the foregoing, the revenue from our sales of in-vehicle hardware products business decreased from FY2021 to FY2022.

(2) SaaS marketing and management services

Our revenue generated from SaaS marketing and management services increased from RMB150.8 million for FY2021 to RMB241.2 million for FY2022, representing an increase of approximately RMB90.4 million or 59.9%. From FY2021 to FY2022, the revenue derived from SaaS subscription services decreased from RMB141.5 million to RMB130.3 million. Such decrease was mainly due to the decreasing average revenue per active 4S store customers for Dijia SaaS as a result of the negative impact brought by reoccurrences of COVID-19 during FY2022 and in particular, the traveling restrictions imposed within the PRC and city-wide lock-downs happening across numerous cities, which led to the reduced demand of our SaaS marketing and management services from our 4S store customers. In FY2021 and FY2022, our revenue derived from SaaS value-added services was RMB9.3 million and RMB110.9 million, respectively, representing approximately 2.9% and 26.8% of our total revenue, respectively. Such significant increase in revenue was the increase in revenue derived from our SaaS value-added services to our 4S store customers, primarily attributable to our successful promotion of our SaaS value-added services to 4S stores having wider geographical coverage and also the increase in headcount of our sales and marketing team to develop our SaaS marketing and management services, representing our increased sales efforts to promote our SaaS value-added services. In particular, as at 31 December 2021, we provided SaaS value-added services of auto decoration products and services to over 100 4S stores. As at 31 December 2022, we expanded our SaaS value-added services network to over 600 4S stores.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased from RMB232.1 million for FY2021 to RMB240.7 million for FY2022, representing an increase of approximately RMB8.6 million or 3.7%. The increase in cost of sales is primarily attributable to the increase in installation cost and data traffic and costs of services brought by the increasing revenue contribution in SaaS value added services.

Gross profit and gross profit margin

Our gross profit increased from RMB94.7 million for FY2021 to RMB173.2 million for FY2022 representing an increase of RMB78.5 million or 82.9%. The significant growth in gross profit of our Group was mainly attributable by the increasing revenue and gross profit contribution by our SaaS value-added services, which increased from RMB6.7 million to RMB87.2 million. Our gross profit increased from RMB173.2 million for FY2022 to RMB251.8 million for FY2023, representing an increase of approximately RMB78.6 million or 45.4%. Our gross profit margin increased from 29.0% for FY2021 to 41.8% for FY2022 and further grown to 44.9% for FY2023. The increase in our overall gross profit margin was driven by the increase in our revenue contribution by our SaaS value-added services, which have the relatively higher gross margin as compared to our other business lines. Our SaaS value-added services would generally command higher gross profit margins because (i) there are fewer raw materials required for our SaaS value-added services and the cost of raw materials when compared to their sales prices are generally low, and (ii) our revenue are derived from end car users, and as a result we are able to command higher profit margins as we have freedom to determine prices over the services that we offer, leveraging on our knowledge on the market, the car users' needs for light auto modification and needs for car accessories and our economy of scale.

Other income

Our other income decreased from RMB15.0 million for FY2021 to RMB9.7 million for FY2022 mainly due to decrease in interest income on bank deposits and decrease in refund of PRC VAT and surcharges received for embedded software sold together with our in-vehicle devices, which is in line with our reduced revenue from sales of in-vehicle hardware products.

Other gains and losses

Our other gains and losses increased from gain of RMB0.3 million for FY2021 to RMB8.2 million for FY2022 mainly due to the increase in gain from changes in fair value of financial assets at FVTPL. In FY2022, the FVTPL increased significantly mainly due to the change in the fair value of the investment product held by the Company as a result

FINANCIAL INFORMATION

of the steady growth in the net value of the investment product due to increase in its external investment returns, including the receipt of interest payments on the invested bonds and the stabilisation of the valuation of the invested bonds.

Impairment losses recognised under expected credit loss model, net of reversal

Our impairment losses recognised increased from RMB0.1 million for FY2021 to RMB0.5 million for FY2022 mainly due to the increase in trade receivables recognised in FY2022 and the increase in the balance of trade and other receivables.

Distribution and selling expenses

Our distribution and selling expenses increased from RMB31.8 million for FY2021 to RMB91.3 million for FY2022. The significant increase was mainly attributable to (i) the increase in advertising expenses of approximately RMB52.5 million as a result of the increased advertising expenses incurred for the business expansion of SaaS value-added services during FY2022; (ii) the increase in staff costs of approximately RMB4.6 million in our distribution and selling functions as a result of the increase in headcount of our sales and marketing team and our strategy to establish local offices and direct sales force to support our regional sales efforts and (iii) increase in depreciation and amortisation of approximately RMB2.1 million. In particular, the advertising expenses primarily consisted of user traffic acquisition expenses, marketing service expenses and selling expenses. User traffic acquisition expenses mainly represented the expenses of user traffic we purchased from our 4S store customers. Our user traffic acquisition expenses may vary due to a number of factors, including, the location of the 4S stores, the expected sales volume of 4S store customers, the expected traffic flow of the car user customers in the 4S stores, and the target customer types. Our user traffic acquisition expenses accounted for a substantial portion of our advertising expenses during the Track Record Period, as we generally acquired user traffic from 4S stores, which is in line with the market practice.

Administrative expenses

Our administrative expenses increased from RMB17.3 million for FY2021 to RMB18.4 million for FY2022. The increase was mainly attributable to the increase in staff costs in administrative functions and increase in entertainment expenses to cope with the overall business expansion of the Group.

Research and development expenditure

Our research and development expenditure remained relatively stable at RMB16.8 million and RMB17.0 million for FY2021 and FY2022, respectively.

FINANCIAL INFORMATION

Finance costs

Our finance costs decreased from RMB1.9 million for FY2021 to RMB1.6 million for FY2022 mainly due to the change in the structure of the financing products obtained by the Company during FY2022.

[REDACTED]

We incurred [REDACTED] in the amount of RMB[REDACTED] million and RMB[REDACTED] million for FY2021 and FY2022, respectively.

Income tax expense

Our income tax expense increased from RMB5.3 million for FY2021 to RMB5.6 million for FY2022, which is primarily attributable to our increased taxable income due to the increased profit recorded during FY2022. Our effective tax rate decreased from 13.1% for FY2021 and 10.6% for FY2022. We recorded a lower effective rate despite the increased profit in FY2022 because the profit increase was mainly attributable to the significant revenue contribution by our subsidiaries that enjoy a lower income tax rate of 2.5% in FY2022, as compared to the income tax rate of 15% enjoyed by Guanglian Saixun or the lower 5% tax rate enjoyed by certain of our other subsidiaries during FY2021.

Profit for the year

For the reasons mentioned above, our profit for the year increased from RMB35.1 million for FY2021 to RMB47.4 million for FY2022, representing an increase of approximately RMB12.3 million or 35.2%. Our net profit margin increased from approximately 10.7% for FY2021 to approximately 11.5% for FY2022 mainly due to the increase in our overall gross profit margin from approximately 29.0% for FY2021 to 41.8% for FY2022, and partially offset by the increase in operating expenses for FY2022.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our operations primarily with cash generated from our operations and from bank borrowing, and our cash was primarily used for funding our costs of providing our products and services, our distribution and selling expenses and our other general working capital needs. Going forward, in addition to the above, our Group expects to continue to also apply a certain portion of the [REDACTED] from the [REDACTED] to fund our operations, to implement our business strategies and other capital commitments as the need arises.

FINANCIAL INFORMATION

CASH FLOWS

The following table sets out a summary of our consolidated statements of cash flows for the years indicated.

	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Net cash from operating activities	57,591	30,279	26,118
Net cash (used in)/from investing activities	(36,729)	80,994	(11,802)
Net cash from/(used in) financing activities	6,276	(18,196)	4,681
Net increase in cash and cash equivalents	27,138	93,077	18,997
Cash and cash equivalents at beginning of the year	18,026	45,164	138,241
Effects of foreign exchange rate changes	—	—	(15)
Cash and cash equivalents at end of the year	<u>45,164</u>	<u>138,241</u>	<u>157,223</u>

Net cash from operating activities

During the Track Record Period, we derived our cash inflow from operating activities primarily from our core businesses, being the sales of in-vehicle hardware products and the provision of SaaS marketing and management services. Our cash used in operating activities was principally for procurement of hardware, procuring third party suppliers to provide us with manufacturing and installation services, and to pay our corporate operating expenses such as staff costs, selling and distribution expenses and administrative expenses.

For FY2023, the operating cash flows before movements in working capital was RMB64.1 million. There was a net cash inflow for FY2023 from our operating activities of RMB26.1 million as compared with a net cash inflow of RMB30.3 million for FY2022, which was mainly attributable to a decrease in trade and other payables of RMB20.1 million, and a decrease in contract liabilities RMB35.5 million.

For FY2022, our Group had net cash generated from operating activities of RMB30.3 million. Our operating cash flows before movements in working capital was RMB53.9 million, which was mainly attributable to profit before taxation of RMB53.0 million, adjusted for gain on fair value changes of financial assets at fair value through

FINANCIAL INFORMATION

profit or loss of RMB8.5 million, increase in trade and other receivables of RMB21.3 million, decrease in contract costs of RMB16.1 million, decrease in contract liabilities of RMB29.9 million and increase in restricted bank deposits of RMB19.0 million.

For FY2021, our Group had net cash from operating activities of RMB57.6 million. Our operating cash flows before movements in working capital was RMB43.1 million, which was mainly attributable to profit before taxation of RMB40.4 million, decrease in trade and other receivables of RMB50.5 million, decrease in contract costs of RMB16.4 million and decrease in trade and other payables of RMB17.6 million.

Net cash from/used in investing activities

During the Track Record Period, our net cash used in investing activities primarily reflected cash used in purchase of wealth management products, purchase of intangible assets and renovation of the office premises.

For FY2023, net cash used in investing activities was RMB11.8 million, which was primarily attributable to purchase of financial assets at FVTPL at RMB100.0 million and purchases of intangible assets at RMB14.4 million, which was partially offset by proceeds on disposal of FVTPL of RMB90.0 million and withdrawal of time deposits with maturity over three months of RMB54.1 million.

For FY2022, net cash from investing activities was RMB81.0 million, which was primarily attributable to withdrawal of time deposits with maturity over three months of RMB179.4 million, which was partially offset by placement of time deposits with maturity over three months of RMB89.4 million, purchases of intangible assets of RMB9.6 million and purchases of property, plant and equipment of RMB5.6 million.

For FY2021, net cash used in investing activities was RMB36.7 million, which was primarily attributable to purchase of financial assets at fair value through profit or loss (“FVTPL”) at RMB130.0 million and placement of time deposits with maturity over three months of RMB91.1 million, which was partially offset by withdrawal of time deposits with maturity over three months of RMB188.7 million and interests received of RMB7.6 million.

Net cash from/used in financing activities

During the Track Record Period, our movements in cash due to our financing activities were primarily from new bank borrowings raised, repayment of borrowings and repayment of lease liabilities.

FINANCIAL INFORMATION

For FY2023, net cash from our financing activities was RMB4.7 million, which was primarily attributable to new borrowing raised of RMB46.9 million and issue of Shares of the Company of RMB245.5 million as part of the Reorganisation, and was partially offset by payments on capital reduction of RMB240.8 million and repayment of borrowings of RMB39.0 million.

For FY2022, net cash used in our financing activities was RMB18.2 million, which was primarily attributable to repayment of borrowings of RMB39.7 million and dividends paid to a non-controlling shareholder of RMB2.7 million and acquisition of non-controlling interest of a subsidiary of RMB10.4 million, and was partially offset by new borrowings raised of RMB37.0 million and capital injection by a shareholder and non-controlling interest of subsidiaries of RMB2.6 million.

For FY2021, net cash from financing activities was RMB6.3 million, which was primarily attributable to new borrowings raised of RMB60.0 million, and was partially offset by repayment of borrowings of RMB49.0 million, repayment of lease liabilities of RMB2.4 million and interest paid of RMB2.1 million.

NET CURRENT ASSETS

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 January
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 <i>(unaudited)</i>
Current Assets				
Contract costs	24,967	17,097	13,062	20,413
Inventories	11,784	14,753	9,995	10,184
Trade and other receivables . .	71,625	92,380	97,833	121,139
Deposits and prepayments . . .	25,050	33,044	35,926	59,079
Financial assets at fair value through profit or loss ("FVTPL")	130,380	138,546	158,326	150,489
Tax recoverable	291	37	1,555	622
Time deposits with maturity over three months	2,354	20,482	–	–
Restricted bank deposits	10,650	27,710	27,846	35,688
Cash and cash equivalents . . .	45,164	138,241	157,223	120,094
Total	322,265	482,290	501,766	517,708

FINANCIAL INFORMATION

	As at 31 December			As at 31 January
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 <i>(unaudited)</i>
Current Liabilities				
Trade and other payables	54,205	89,892	69,502	72,467
Lease liabilities	1,813	2,347	2,314	2,243
Borrowings	38,223	35,542	43,417	50,440
Contract liabilities	111,658	95,435	58,975	54,526
Contingent liabilities	–	–	–	–
Tax payable	160	2,130	1,323	946
Total	206,059	225,346	175,531	180,622
NET CURRENT ASSETS	116,206	256,944	326,235	337,086

Our net current assets increased from RMB116.2 million as at 31 December 2021 to RMB256.9 million as at 31 December 2022. Such increase was primarily due to (i) increase in trade and other receivables which was generally in line with our business expansion and revenue growth; (ii) increase in financial assets at FVTPL; (iii) increase in cash and cash equivalents; and (iv) decreases in contract liabilities.

Our net current assets further increased from RMB256.9 million as at 31 December 2022 to RMB326.2 million as at 31 December 2023. Such increase was mainly due to the (i) increase in financial assets at FVTPL; (ii) increase in cash and cash equivalents; and (iii) decrease in contract liabilities and trade and other payables.

As at 31 January 2024, our net current assets increased slightly to RMB337.1 million, which was primarily due to increase in deposits and prepayments arising from the growth in our business scale.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that after taking into account our cash generating capacities, the existing financial resources available to us and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this document.

FINANCIAL INFORMATION

Our Directors are not aware of any other factors that would have a material impact on our Group’s liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in “Future Plans and [REDACTED]” in this document.

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment primarily consisted of leasehold improvement, vehicles and furniture, fixtures and equipment. As at 31 December 2021, 31 December 2022 and 31 December 2023, we had property, plant and equipment of RMB11.1 million, RMB11.3 million and RMB7.3 million, respectively.

The increase of property, plant and equipment to RMB11.3 million in FY2022 was primarily attributable to the increase in office equipment purchased for the provision of SaaS marketing and management services and also leasehold improvement. The decrease in property, plant and equipment as at 31 December 2023 was due to depreciation.

Right-of-use assets

Our right-of-use assets increased from RMB2.4 million as at 31 December 2021 to RMB4.2 million as at 31 December 2022. Such increase was mainly due to additions of right-of-use assets of approximately RMB4.3 million, represented our Group’s right to use its offices.

As at 31 December 2023, our right-of-use assets decreased to RMB2.6 million, which was mainly due to decrease in additions of right-of-use assets over the terms of the leases.

Intangible assets

Our intangible assets primarily consisted of software and capitalised research and development costs. As at 31 December 2021, 31 December 2022 and 31 December 2023, we had intangible assets of RMB10.6 million, RMB16.8 million and RMB25.4 million, respectively.

The overall increasing trend of our intangible assets during the Track Record Period was mainly due to (i) research and development expenses capitalised as intangible assets and (ii) the purchase of software by our Group.

FINANCIAL INFORMATION

Interest in associates

Our interest in associates represent our interest in Qihou Youjian, in which we hold a 23.00% interest during FY2021 and other associates. As at 31 December 2021, 31 December 2022 and 31 December 2023, the interest in associates was RMB303,000, nil and RMB9,324,000, respectively. During the FY2022, we disposed 5.00% of our equity interest in Qihou Youjian and as at the Latest Practicable Date, we held 18.00% of Qihou Youjian’s equity interest. Upon completion of the disposal, our Group did not have significant influence in Qihou Youjian and the remaining 18.00% equity interest is accounted as financial assets at FVTPL. Please see note 19 to the Accountants’ Report in Appendix I to this document for further details of interest in associates.

Equity instruments at fair value through other comprehensive income

The said equity instrument represents our 15.01% equity interests in an unlisted company, Aika Shangyun. We have elected to designate our equity holding in Aika Shangyun as an investment at FVTOCI as this investment is not held for trading and is not expected to be sold in the foreseeable future. As at 31 December 2021, 31 December 2022 and 31 December 2023, the value of our equity holding in Aika Shangyun, as determined by an independent valuer, was RMB14.7 million, RMB9.6 million and RMB7.8 million, respectively.

In October 2019, Guanglian Saixun subscribed for the increased registered capital of Aika Shangyun at the subscription price of RMB30,000,000. The subscription price was determined by the then equity holders of Aika Shangyun and Guanglian Saixun after arm’s length negotiations with reference to the agreed valuation of RMB200.0 million of Aika Shangyun. The subscription price had been fully paid by Guanglian Saixun. Upon completion, Guanglian Saixun held 15.01% of Aika Shangyun’s equity interest. As part of the Reorganisation, on 18 April 2022, Guanglian Shuke acquired all of the 15.01% of the registered capital of Aika Shangyun that was held by Guanglian Saixun at a consideration of RMB30.0 million, which was determined by reference to the carrying amount of Guanglian Saixun’s cost of investment in Aika Shangyun as at 31 December 2021. The consideration was fully settled on 28 April 2023. Upon completion of the acquisition, Aika Shangyun became an associated company of Guanglian Shuke.

Aika Shangyun was established in the PRC on 23 January 2019 with a registered capital of RMB30,000,000. Upon its establishment, Aika Shangyun was held as to 80.00% and 20.00% by Sainade (Beijing) Information Technology Co., Ltd. (塞納德(北京) 信息技術有限公司) and Beijing Zhide Diankang E-Commerce Co., Ltd. (北京智德典康電子商務有限公司), companies deemed to be majority controlled by Mr. Zhang Wei and became acquainted with the Group through Mr. Zhu Lei, respectively. Aika Shangyun (“Aika Auto”) according to the knowledge of our Directors, the shareholders of Aika Shangyun belongs to the group Aika Auto, the principal business of which is the provision of online marketing services for automobile 4S shops to obtain new car sales leads. Aika Auto is a reputable automotive online interactive media service company in

FINANCIAL INFORMATION

China, with China’s leading automotive themed community “Aika Auto” and a large number of active automotive user. Through online interactive communication platforms and offline activities, the business of Aika Auto is spanned across various regions in China. Aika Auto mainly provides media production, advertising and marketing services related to new car sales for 4S stores and automobile manufacturers, hence, have accumulated abundant business resources such as 4S stores. Taking into account of the financial performance, its relationship with Aika Auto, and the business background, principal business activities, business resources including the customer base and network of Aika Auto to which it belongs, we decided to invest in Aika Shangyun.

Set out below is an extract of the audited financial information of Aika Shangyun during the Track Record Period:

	FY2021	FY2022	FY2023
	RMB’000	RMB’000	RMB’000
Revenue	30,668	9,422	4,428
Net Profit (/loss)	2,211	(408)	(8,889)
Net assets	74,839	74,431	65,542

Based on the investment agreement in relation to Aika Shangyun entered into among Guanglian Saixun and the then shareholders of Aika Shangyun, the Group is entitled to, among other rights: (i) anti-dilution rights; (ii) pre-emptive rights; (iii) right of first offer and co-sale right; (iv) information rights; and (v) profit guarantee.

To the Directors’ best knowledge, Mr. Zhang Wei is a sophisticated investor who invests in a number of enterprises across various industries in the PRC. The Directors confirm that (i) the Group’s investment in Aika Shangyun and (ii) the [REDACTED] Investment to our Group from Huaixin Co-stone Investment Limited and Lingyu Co-stone Investment Limited, both being controlled by Mr. Zhang Wei, are independent from each other.

During the Track Record Period, Aika Shangyun was primarily engaged in providing new cars sales leads in the PRC. The decreasing trend of our 15.01% interest in Aika Shangyun was due to the negative impact of COVID-19 outbreak on the business operations of this company and the automotive aftermarket industry as a whole, which was reflected in the decreasing valuation of our 15.01% interest in Aika Shangyun during the Track Record Period. See notes 20 and 35 to the Accountants’ Report in Appendix I to this document for further details.

FINANCIAL INFORMATION

Deferred tax assets

As at 31 December 2021, 31 December 2022 and 31 December 2023, our deferred tax assets, which represented unused tax losses from prior years that we may use to offset against potential future profits under the PRC EIT Law, were RMB6.1 million, RMB4.7 million and RMB2.9 million, respectively. The decreases in our deferred tax assets were primarily attributable to them being used to offset our profits made during the Track Record Period, which had the effect of reducing our taxes payable for the relevant years.

Contract costs

Contract costs represented pre-paid costs that we have incurred in the provision of our SaaS marketing and management services that will be used to satisfy performance obligation in the future services, primarily including our purchases of in-vehicle hardware installed in vehicles (which cannot be separately used alone and are therefore regarded as part of our SaaS marketing and management services that are provided over a period of time) and service charges that are pre-paid by us to our service providers for installation services. These pre-paid contract costs are recognised as part of cost of sales during the contract period of our services provided to our customers. As at 31 December 2021, 31 December 2022 and 31 December 2023, our contract costs were RMB43.7 million, RMB27.6 million and RMB21.8 million, respectively. The decreasing trend during the Track Record Period was primarily due to change in our product mix, which required less of our costs to be pre-paid.

Deposits and prepayments

Our deposits and prepayments primarily represented prepayment for hardware, deposits paid to customers and prepaid [REDACTED]. The table below sets our deposits and prepayment as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Deposits paid to customers	3,608	4,438	5,166
Prepayments for hardware	9,828	16,252	12,980
Prepayments to SaaS subscription suppliers	10,418	9,310	12,712
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	910	698	273
	27,075	33,147	35,926

FINANCIAL INFORMATION

Our deposits and prepayments increased from RMB27.1 million as at 31 December 2021 to RMB33.1 million as at 31 December 2022 to was primarily due to the prepayments for hardware as we commenced our group purchasing campaign service starting from the second half of FY2022 and we placed orders for a large amount of in-vehicle hardware to cope with the anticipated business demand. Our deposits and prepayments further increased from RMB33.1 million as at 31 December 2022 to RMB35.9 million as at 31 December 2023 primarily due to increase in the prepayments to SaaS subscription suppliers as a result of the relaxation of COVID-19 measures, leading to a moderate rebound in the sales of our SaaS subscription services starting from the first half of 2023.

As at 31 January 2024, RMB9.2 million or 25.2% of our deposits and prepayments as at 31 December 2023 have been subsequently utilised.

Inventories

Our inventories primarily consisted of finished and semi-finished in-vehicle devices such as in-vehicle infotainment system, in-vehicle safety system, and core boards. The following table summarises the balances of different inventories as at the dates indicated and our turnover of inventories for the years indicated:

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Raw materials and consumables	1,093	1,781	1,801
Finished goods	10,691	12,972	8,194
	11,784	14,753	9,995
Inventory turnover days ^(note)	17.6	20.1	14.6

Note: Inventory turnover days are calculated by dividing the average balances of inventories by the cost of sales for the respective year, which are then multiplied by 365 days. The averages of inventories are the arithmetic means of the opening and closing balances of inventories for the respective year.

Our inventories increased from RMB11.8 million as at 31 December 2021 to RMB14.8 million as at 31 December 2022 primarily due to increase in finished goods required to meet our business growth. Our inventories decreased to RMB10.0 million as at 31 December 2023 mainly due to decrease in finished goods as at 31 December 2023 as compared to 31 December 2022.

FINANCIAL INFORMATION

Our inventory turnover days increased from 17.6 days for FY2021 to 20.1 days for FY2022 primarily due to the increase in inventory balance to cope with our business activities. Our inventory turnover days decreased to 14.6 days for FY2023 primarily due to the decrease in inventory balance as a result of increase revenue contribution of our SaaS marketing and management services, which require lower level of inventories.

As at 31 January 2024, RMB4.0 million, or 39.5% of our inventories as at 31 December 2023 have been subsequently sold or utilised.

Trade and other receivables

Our trade and other receivables primarily represented amounts due from our customers in our ordinary course of business, net of allowance for credit losses. The table below sets out a breakdown of our trade and other receivables as at the dates indicated and the trade receivable turnover days for the years indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade receivables			
Trade receivables	111,970	132,721	139,086
Less: Allowance for credit losses	(42,374)	(42,073)	(43,261)
	<u>69,596</u>	<u>90,648</u>	<u>95,825</u>
Sub-total	<u>69,596</u>	<u>90,648</u>	<u>95,825</u>
Trade receivables turnover days ^(note)	106.7	70.7	60.7
Other receivables			
VAT receivables	1,517	746	993
Others	522	1,006	1,267
Less: Allowance for credit losses	(10)	(20)	(252)
	<u>2,029</u>	<u>1,732</u>	<u>2,008</u>
Total	<u>71,625</u>	<u>92,380</u>	<u>97,833</u>

Note: Trade receivable turnover days are calculated by dividing the average balances of trade receivables for the respective year divided by revenue, which are then multiplied by 365 days. The averages of trade receivables are the arithmetic means of the opening and closing balances of trade receivables for the respective year.

Our net trade and other receivables increased from RMB71.6 million as at 31 December 2021 to RMB92.4 million as at 31 December 2022 mainly due to our business growth, leading to an increased balance of trade and other receivables. Our net trade and other receivables increased from RMB92.4 million as at 31 December 2022 to RMB97.8 million as at 31 December 2023 mainly due to the increase in our business scale and in particular our revenue, in particular growth in both of our business lines.

FINANCIAL INFORMATION

During the Track Record Period, our trade receivables turnover days decreased from 106.7 days to 70.7 days and 60.7 days during FY2021, FY2022 and FY2023, respectively. The shortening of trade receivables turnover days is general in line with our increase in revenue contribution from our SaaS value-added services during the Track Record Period, which generally had a shorter credit term.

Our Group does not hold any collateral or over our trade receivable balances. Trade receivables are non-interest bearing.

The following table sets out the ageing analysis of our trade receivables based on the date of transfer of goods or date of rendering of services and net of provision for impairment as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
0-90 days	30,907	61,961	71,908
91-180 days	13,064	23,482	18,556
Over 180 days	25,625	5,205	5,361
	69,596	90,648	95,825

Aging of trade receivables which were past due but not impaired:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
91-180 days	6,082	14,970	6,857
Over 180 days	25,625	5,205	5,361
	31,707	20,175	12,218

Our Group performs impairment analysis at each reporting date using a provision matrix to measure expected credit losses (“ECL”). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Details of the ECL impairment analysis are set out in notes 5, 9 and 35 to the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

As at 31 December 2021 and 2022 and 2023, the allowance of credit losses of trade receivables according to our ECL policy were RMB42.4 million, RMB42.1 million and RMB43.3 million, respectively.

As of 31 December 2021 and 2022 and 2023, included in the Group’s trade receivables balance were debtors with aggregate carrying amount of RMB31.7 million, RMB20.2 million and RMB12.2 million, respectively, which were past due but not impaired as of the reporting date. Out of the past due balance, RMB25.6 million, RMB5.2 million and RMB5.4 million as at 31 December 2021 and 2022 and 2023, respectively have been past due for 180 days or more and were not considered as in default because the amounts were due from a number of reputable customers with good credit ratings. In addition, to better manage risk arising from trade receivables, we have credit risk grading policies in place to ensure that credit terms are made to customers with an appropriate credit history. We also perform ongoing credit evaluations of our customers. We will prepare quarterly trade receivables aging analysis for management review. Our management will also assess the customer’s credit quality, credit limits for our customers monthly and the risk of bad debt with reference to the customer’s background, sales amount, the customer’s payment history, scale of operation and business relationship with our Group. We also use publicly available financial information and our own trading records to rate major customers and other debtors. The credit qualities of these customers are assessed, with reference to, among other factors, their financial position and past experience. We also regularly review the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Based on the above, we consider that there was no significant change in these customers’ credit risk.

Certain of our trade receivables with the carrying amounts of RMB20.0 million and nil as at 31 December 2021 and 31 December 2022, respectively, were pledged to secure bank borrowings granted to our Group. See note 30 to the Accountants’ Report set out in Appendix I to this document.

As at 31 January 2024, RMB4.5 million or 4.6% of our trade and other receivables outstanding as at 31 December 2023 have been subsequently settled.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL mainly represented our Group’s investment into an investment fund product, which may be redeemed on demand by us. The principal or returns on the fund product were not guaranteed, hence their contractual cash flows did not qualify for solely payments of principal and interest, and therefore the fund product were classified as financial assets at FVTPL. We purchased unlisted funds during FY2021, and its carrying values as at 31 December 2021, 31 December 2022 and 31 December 2023 were RMB130.3 million, RMB138.5 million and RMB147.2 million, respectively. The fluctuation in the values of our investment into wealth management products per primarily due to the fluctuation of market value of these products held by us at the relevant reporting dates with reference to the underlying investment portfolios which have observable quoted prices in active markets.

FINANCIAL INFORMATION

During the Track Record Period, we have purchased the investment fund products from Zhongyue Capital Management Co., Ltd. (中閱資本管理股份公司) (“**Zhongyue Capital**”), a mixed ownership company with state-owned participation and an Independent Third Party. Based on publicly available information, Zhongyue Capital is founded in March 2017, and is a mixed ownership asset management company, jointly established with a number of renowned corporations, including a company whose shares are listed on the Stock Exchange. The paid-up registered capital of Zhongyue Capital was RMB100 million. The total asset management scale of Zhongyue Capital is approximately RMB4 billion.

When investing in wealth management products, we aim to achieve (i) a relatively low level of risk, (ii) good liquidity and (iii) an enhanced yield. With the view to enhance the financial return on our Group’s cash assets while ensuring the liquidity and safeguarding the principal, we have sought new investment tools to meet the Group’s strategies. As such, we decided to purchase private equity funds based on the following considerations:

- (i) Risk level: We adopt a prudent treasury approach. One of our primary consideration when purchasing wealth management products is the associated risk levels. Our management determined the risk level of the wealth management products with reference to a number of factors, including, the identity and background of the issuers, their reputation and risk rating, their experience, scale of assets under management and performance of the products managed by them.
- (ii) Liquidity: While choosing the wealth management products and the issuers for the fund products, we normally assess the background of issuers, including its capital contribution amount, its financial standing, its shareholder base and client base, the liquidity support. Through conducting the above assessment, we could better manage the liquidity risk in case our Group has to redeem the fund products.
- (iii) Expected yields: We purchased fund product which mainly invests in bonds issued by A-share listed companies with high quality assets or their controlling shareholders. The rate of return of such bonds is higher than that of municipal bonds and lower risk. While there may be a short term fluctuation in the valuation of the products during the investment period, we expect it will not result in a loss of principal at the end of the investment period.
- (iv) Other considerations: We regularly assess the financial condition of our Group and forecast the cashflow and the corresponding allocation of funds for the next two years.

FINANCIAL INFORMATION

We have formulated internal control policies setting out the approval process for the purchase of wealth management products and have assigned the responsible personnel to ensure strict adherence of the policies. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our overall financial condition, market and investment conditions, economic developments, investment cost, duration of investment and the expected returns and potential risks of such investment. We shall generally purchase low-risk and short-term wealth management products only issued by reputable commercial banks in the PRC. The wealth management products shall generally have strong liquidity. Our Directors shall consider the criteria of the investments, including liquidity, credit risk and expected return. We shall obtain prior approval from our Board for the purchase of any medium-high risk wealth management products. In addition, based on our internal control policy, each transaction for the purchase of wealth management products is initiated by our finance department, which should be reviewed by finance department, our Chief Financial Officer. Our financial department is responsible for carrying out and monitoring the investments. Before making any investment decisions, we conduct assessment and prepare investment reports of expected returns and risk analysis by performing feasibility analysis on our investment plan, scale and expected return rates, and conducting risk assessment on product portfolios and the trustee’s creditworthiness for fund management product. During the term of the investment period, we monitor the fluctuations in the investment products’ performance, maintain regular communication with the fund manager for timely updates, and would report to relevant members of senior management should the fluctuations indicate abnormalities or high risks. Besides, we report to the shareholders regularly regarding the performance of the wealth management product and implement alternative investment strategies where appropriate. In addition, we will comply with relevant size test requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate after the [REDACTED]. Based on the background of the issuer of the investment fund product and the internal policies implemented by the Group as out above, the Directors considered that the credit risk exposure of the Group arising from the investment of unlisted investment fund product during the Track Record Period is low. For details, please refer to the paragraph headed “Quantitative And Qualitative Disclosures About Market Risks—Credit risk” in this section.

See notes 26 and 35 to the Accountants’ Report in Appendix I to this document for further details.

FINANCIAL INFORMATION

Trade and other payables

Our trade and other payables primarily represented trade payables due to our suppliers, bills payables, deposits received from our customers and accrued salaries and other tax payables. The table below sets out a breakdown of our trade and other payables as at the dates indicated, and the trade payable turnover days for the years indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade payables	14,380	20,563	21,121
Bills payable	26,544	50,570	27,037
Deposits	1,784	1,275	2,715
Accrued salaries	5,894	6,708	7,216
Other tax payables	1,046	5,783	6,585
[REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
Dividends payable to non-controlling interests	2,700	–	–
Others	1,609	1,340	1,661
	54,205	89,892	69,502
Trade payable turnover days ^(note)	38.7	26.5	24.6

Note: Trade payable turnover days are calculated by dividing the average balances of trade payables for the respective year divided by the cost of sales, which are then multiplied by 365 days. The averages of trade payables are the arithmetic means of the opening and closing balances of trade payables for the respective year.

During the Track Record Period, we also paid some of our suppliers using bank acceptance bills that are issued by banks for purchases that we made. The bank acceptance bills we used during the Track Record Period generally had maturity dates of six months.

As at 31 December 2021, 31 December 2022 and 31 December 2023, our bills payable amounted to RMB26.5 million, RMB50.6 million and RMB27.0 million, respectively. The increase in the bills payable as at 31 December 2021 to 31 December 2022 was primarily due to our effort to utilise the bills payable for us to retain our cash to support our business expansion plans and to use cash to purchase from suppliers who offered more favourable terms if we purchase on “cash-on-delivery” terms.

FINANCIAL INFORMATION

Our trade payable turnover days decreased from 38.7 days to 26.5 days and further decreased to 24.6 days as at 31 December 2021, 2022 and 2023 respectively. The decrease in trade payable turnover days was primarily attributable to (i) the decrease in trade payables resulting from our increase in the balance of our bills payables as at 31 December 2022 as compared to that of 31 December 2021 and (ii) the increase in cost of sales and lowering trade payable balance leading to a lower trade payable turnover days as at 31 December 2022 as compared to that of 31 December 2021. Our trade payable turnover days as at 31 December 2022 and 2023 remained relatively stable at 26.5 days and 24.6 days, respectively.

As at 31 January 2024, approximately RMB19.8 million, representing approximately 28.6% of our trade and other payables as at 31 December 2023 had been settled.

Trade and bills payables

Our trade and bills payables increased from RMB40.9 million for FY2021 to RMB71.1 million for FY2022 primary due to our overall business expansion.

The following table sets out the ageing analysis of our trade and bills payables based on invoice date as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
0-180 days	39,459	71,008	47,852
181-365 days	1,465	125	306
	40,924	71,133	48,158

Lease liabilities

Our Group has adopted IFRS 16 for the preparation of our historical financial information as stated in note 3 to the historical financial information in the Accountants' Report set out in Appendix I to this document. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statement of financial position for the Track Record Period. As at 31 December 2023, the carrying amount of our total lease liabilities were RMB2.8 million.

FINANCIAL INFORMATION

Borrowings

Our borrowings amounted to RMB38.2 million, RMB35.5 million and RMB43.4 million as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively. As at 31 January 2024, our borrowings amounted to RMB50.4 million. We obtained bank borrowings during the Track Record Period to primarily support our business growth and to support our strategy to improve of our coverage of 4S store customers, while enhancing our working capital structure and enjoying PRC government’s preferential policies to reimburse interest expenses on borrowings taken out by small-to-medium enterprises. The table below sets out a breakdown of our borrowings as at the dates indicated:

	As at 31 December			As at 31 January
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank loans	8,209	23,526	26,398	33,415
Other borrowings	30,014	12,016	17,019	17,025
	<u>38,223</u>	<u>35,542</u>	<u>43,417</u>	<u>50,440</u>
Secured	30,000	12,000	17,000	17,000
Unsecured	8,223	23,542	26,417	33,440
	<u>38,223</u>	<u>35,542</u>	<u>43,417</u>	<u>50,440</u>
Represented:				
Fixed-rate borrowings	<u>38,223</u>	<u>35,542</u>	<u>43,417</u>	<u>50,440</u>

The carrying amounts of the borrowings are repayable within one year.

The lenders of our other borrowings are mainly small-to-medium licensed money lenders in the PRC with state-owned background, which are Independent Third Parties to us.

The effective interest rates of our Group’s bank loans from commercial banks ranged from 4.35% to 4.79%, 3.7% to 4.35% and 3.6% to 4.4% per annum for each of FY2021, FY2022 and FY2023, respectively; while, the effective interest rates of our Group’s other borrowings ranged from 4.96% to 6.5%, 4.96% to 6.5%, and 4.90% per annum for each of FY2021, FY2022 and FY2023, respectively.

FINANCIAL INFORMATION

Despite the above apparent differences in terms of interest rates from the commercial banks and small-to-medium licensed money lenders, based on the PRC government’s preferential policies, the PRC government may reimburse interest expenses on borrowings from licensed money lenders in an amount up to 70% of the interest expenses taken out by our Group, which would be conditionally refunded to our Group. According to the government policies, we have to fulfil certain conditions precedents as stated in the loan agreements in order for us to reimburse the interest expenses. The condition precedents include, among other things, being registered in Nanshan District, having obtained borrowings from the designated financial institutions under the government’s scheme, and having no default in repayment of the loan or having settled the borrowings at the time of the application. During the Track Record Period, our Group was able to fulfill all the conditions precedents. As such, in FY2022, the amount of reimbursement of interest expenses on these borrowings from licensed money lenders received by our Group in respect of the other borrowings we took out in FY2021 was in aggregate RMB877,000. In respect of the borrowings which we have successfully obtained reimbursement for the interest expenses, the actual interest rate was 1.95% and 1.81% in respect of the other borrowings we took out in FY2021. As we are in the progress of applying for reimbursement of interest expenses, we expect to receive the rest of the reimbursement amount for the FY2022 and FY2023 in or around second half of 2024. Taking into account of the benefits conferred by government policies, the net interest payable by us to licensed money lenders would be more favourable terms as compared to those payable by us to normal commercial banks. As such, our Group obtained such borrowings from small-to-medium licensed money lenders in the PRC.

The duration of our bank loans and other borrowings usually ranged from six to 12 months during the Track Record Period. In certain cases, the lenders may require personal guarantee from the Directors and controlling shareholders of our Company, together with their respective associates, or from third party guarantee companies.

Furthermore, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not encounter any difficulty in obtaining financing from commercial banks or licensed money lenders on acceptable terms.

The following table sets out the range of effective interest rates on our borrowings as at the dates indicated:

	As at 31 December		
	2021	2022	2023
Effective interest rate per annum	4.35% to 6.50%	3.70% to 6.50%	3.60% to 4.90%
	6.50%	6.50%	4.90%

FINANCIAL INFORMATION

At 31 December 2021, our borrowings amounting to RMB38.2 million were jointly guaranteed by Mr. Zhu Lei, Mr. Zhao, Shenzhen Hi-tech investment and Financing Guarantee Co., Ltd., Shenzhen SME Financing Guarantee Co., Ltd., certain entities comprising the Group. An amount of RMB10.0 million of the borrowings were also secured by a patent of Guanglian Saixun.

At 31 December 2022, our borrowings amounting to RMB35.5 million were jointly guaranteed by Mr. Zhu Lei, Mr. Zhao, Shenzhen Hi-tech investment and Financing Guarantee Co., Ltd., Shenzhen Lihe Technology Financing Guarantee Co., Ltd., and entities comprising the Group. An amount of RMB12.0 million of the borrowings were also secured by a patent of Guanglian Saixun.

At 31 December 2023, our borrowings amounting to RMB43.4 million were jointly guaranteed by Mr. Zhu Lei, Mr. Zhao Zhan, Shenzhen Hi-tech investment and Financing Guarantee Co., Ltd., Shenzhen Lihe Technology Financing Guarantee Co., Ltd., and entities comprising the Group.

As at 31 January 2024, we had no unutilised banking facilities. Our Directors confirm that guarantees provided by Mr. Zhu Lei and Mr. Zhao will be released upon the [REDACTED].

Our Directors have confirmed that during the Track Record Period we had not experienced any material difficulties in obtaining or repaying borrowings, and they were not aware of any breach of any major covenant or restriction of such borrowings.

Contract liabilities

Our contract liabilities mainly arise from the advance payments made by customers in connection with our sales of in-vehicle hardware products and the provision of our SaaS marketing and management services over the stipulated contract terms, which were generally three years during the Track Record Period. Our contract liabilities are subsequently recognised as revenue when we render the services or deliver our products.

The table below summaries our contract liabilities as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Sales of in-vehicle hardware products and SaaS subscription services	146,278	116,349	80,859
Current	111,658	95,435	58,975
Non-current	34,620	20,914	21,884
	146,278	116,349	80,859

FINANCIAL INFORMATION

Our contract liabilities recorded a decrease from RMB146.3 million to RMB116.3 million and RMB80.9 million as at 31 December 2021, 2022 and 2023, respectively. The overall decreasing trend of contract liabilities was primarily due to change in our product mix resulting from decreasing revenue contribution from our sales of in-vehicle hardware products and the provision of SaaS subscription services as we focus on expanding our SaaS value-added services.

As at 31 January 2024, RMB9.6 million or 10.2% of our contract liabilities as at 31 December 2023 have been subsequently recognised as our revenue.

CAPITAL COMMITMENTS AND EXPENDITURE

During the Track Record Period, our Group incurred capital expenditure of nil, RMB48,000 and RMB57,000, respectively, which related to acquisition of property, plant and equipment contracted for but not provided in the financial statements.

Details of our Group’s contractual and capital commitments are disclosed in note 34 to the Accountants’ Report in Appendix I to this document.

INDEBTEDNESS

The table below sets out the details of our indebtedness of the dates indicated:

	As at 31 December			As at
	2021	2022	2023	31 January
	RMB’000	RMB’000	RMB’000	2024 RMB’000 (unaudited)
Lease liabilities (Current)	1,813	2,347	2,314	2,243
Lease liabilities (Non-current)	662	2,038	436	377
Borrowings	38,223	35,542	43,417	50,440
Total	40,698	39,927	46,167	53,060

As at 31 January 2024, being the latest practicable date for the purpose of the indebtedness statement, our Group had outstanding indebtedness representing lease liabilities of RMB2.6 million and interest-bearing bank and other borrowings of RMB50.4 million.

During the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any difficulty in obtaining bank borrowings. As at 31 January 2024, none of our bank borrowings were secured by our trade receivables.

FINANCIAL INFORMATION

Save as disclosed above, as at the Latest Practicable Date, our Group did not have any other bank facilities, borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptance, acceptance credits, hire purchase commitments, guaranteed or guaranteed, or contingent liabilities or guarantees.

Lease liabilities

Our Group has adopted IFRS 16 for the preparation of our historical financial information as stated in note 3 to the historical financial information in the Accountants' Report set out in Appendix I to this document. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statement of financial position for the Track Record Period. As at 31 January 2024, our total lease liabilities (including current and non-current liabilities) were RMB2.6 million.

Borrowings

See “Description of selected items in the consolidated statements of financial position—Borrowings” in this section.

Contingent liabilities

As at 31 December 2021, 2022, 2023 and 31 January 2024, we did not have any contingent liabilities.

Our Directors confirm that there is no material change in our indebtedness since 31 January 2024 and up to the date of the document.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in note 36 to the Accountants' Report in Appendix I to this document, our Directors confirm that such transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the year/as at the dates indicated:

	Year ended 31 December		
	2021	2022	2023
Profitability ratio			
Gross profit margin ⁽¹⁾	29.0%	41.8%	44.9%
Net profit margin ⁽²⁾	10.7%	11.5%	9.2%
Return on equity ⁽³⁾	13.2%	16.1%	15.2%
Return on total assets ⁽⁴⁾	6.8%	8.8%	9.1%
	As at 31 December		
	2021	2022	2023
Liquidity ratio			
Current ratio ⁽⁵⁾	1.6 times	2.1 times	2.9 times
Quick ratio ⁽⁶⁾	1.5 times	2.1 times	2.8 times

Notes:

- (1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year.
- (2) Net profit margin was calculated based on net profit divided by revenue for the respective year.
- (3) Return on equity was calculated based on annualised net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on total assets was calculated based on annualised net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Current ratio was calculated based on the total current assets divided by the total current liabilities.
- (6) Quick ratio was calculated based on the total current assets less inventories and divided by the total current liabilities.

Return on equity

Our return on equity increased from 13.2% for FY2021 to 16.1% for FY2022 mainly due to the increase in our equity contributed from our net profit generated. Our return on equity decreased from 16.1% for FY2022 to 15.2% for FY2023 mainly due to decreased net profit attributable to shareholders and increase in the average total equity calculated with the opening and closing balances of total equity for FY2022 as compared to that for FY2023.

FINANCIAL INFORMATION

Return on total assets

Our return on total assets increased from 6.8% for FY2021 to 8.8% for FY2022 mainly due to the increase in net profit for FY2022. Our return on total assets decreased from 8.8% for FY2022 to 9.1% for FY2023 mainly due to the increase in the average total assets calculated with the opening and closing balances of total assets for FY2022 as compared to that of FY2023.

Current ratio

Our current ratio increased from 1.6 times as at 31 December 2021 to 2.1 times as at 31 December 2022 to 2.9 times as at 31 December 2023, respectively. The overall increasing trend was primarily attributable to the increase in total current assets.

Quick ratio

Our quick ratio increased from 1.5 times as at 31 December 2021 and 2.1 times as at 31 December 2022 to 2.8 times as at 31 December 2023, respectively. The overall increasing trend was primarily attributable to the increase in total current assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market, such as market risk, credit risk and liquidity risk.

Market risk

Our Group's activities expose it primarily to the financial risks of interest rates. There has been no change to our Group's exposure to market risks or the manner in which we manage and measure the risk during the Track Record Period.

Our Group exposed to fair value interest rate risk in relation to fixed-rate time deposits with maturity over three months, borrowings and lease liabilities. Our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate on bank balances. Our Group currently does not have interest rate hedging policy. However, management will consider hedging significant interest rate exposure should the need arise.

Credit risk

Our Group's credit risk is mainly associated with bank balances, time deposits with maturity over three months, bank deposits, restricted bank deposits, trade and other receivables and deposits paid to customer. Our Group mainly conducted transactions with customers with good quality and long term relationship, when accepting new customers, our Group considers the reputation of the customer before contract is signed.

FINANCIAL INFORMATION

In order to minimise the credit risk, the management of our Group continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts. To manage risk arising from trade and other receivables, our Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

Liquidity risk

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

Details of the maturity profile of our financial liabilities are set out in note 35 to the historical financial information in the Accountants' Report set out in Appendix I to this document.

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately RMB[REDACTED] million or [REDACTED]% of the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share consisting of (i) [REDACTED]-related expenses (including but not limited to commissions and fees) of approximately RMB[REDACTED] million and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED] million, comprising (a) fees and expenses of our legal advisers and reporting accountant of approximately RMB[REDACTED] million; and (b) other fees and expenses of approximately RMB[REDACTED] million.

During the Track Record Period, [REDACTED] was RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million. The total [REDACTED] in relation to the [REDACTED] (based on the mid-point of the [REDACTED] stated in this document and assuming no [REDACTED] will be exercised), mainly comprising fees paid or payable to professional parties and [REDACTED] fees and commission, are expected to be approximately RMB[REDACTED] million, of which, (i) approximately RMB[REDACTED] million is expected to be deducted from equity upon completion of the [REDACTED] under the relevant financial reporting standards; and (ii) approximately RMB[REDACTED] million is expected to be recognised as expenses in profit or loss. In respect of the total amount charged or to be charged to our profit or loss, approximately RMB[REDACTED] million has been charged to our profit or loss during the Track Record Period. The [REDACTED] above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

FINANCIAL INFORMATION

DIVIDENDS

Dividends to non-controlling shareholders in the amount of RMB2.7 million was declared during FY2021 and paid during FY2022. Save for the foregoing, no dividends had been declared during the Track Record Period and up to the Latest Practicable Date.

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders’ meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Act. Historical dividend distributions are not indicative of our future dividend distribution.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 12 January 2022 and is an investment holding company. As at 31 December 2023, our Company had distributable reserves of RMB238.1 million, which were available for distribution to our equity shareholders.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period, we did not have any material off-balance sheet arrangements. As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II – Unaudited [REDACTED] Financial Information” for details.

NO MATERIAL AND ADVERSE CHANGE

Our Directors have confirmed, after due and careful consideration, that as at the date of this Document, there has been no material adverse change in our financial or trading position or prospects of our Group since 31 December 2023, and there is no event since 31 December 2023 that would materially and adversely affect the information shown in our consolidated financial information included in the Accountants’ Report set out in Appendix I to this document.

FINANCIAL INFORMATION

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

Please refer to “Summary—Recent Developments and No Material Adverse Change” and “Note 40—Subsequent Events” in Appendix I to this document for further details of recent developments of our Group.