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About us

We are a major connected services provider for players within the automotive aftermarket industry in China, with a focus on (i) sales of in-vehicle hardware products; and (ii) provision of 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 and SaaS marketing and management services, and thus to achieve digital transformation. With decade-long operational experience, and coupled with our industry insight and an ability to harness the power of technology we have developed industry-specific products and services for industry participants along the automotive aftermarket industry value-chain such as 4S stores to improve their marketing and operational efficiencies.

Our opportunities as a connected services provider

As a well-established and major connected services provider that provides both in-vehicle hardware products and SaaS marketing and management services, we believe that we are well-positioned to capture the massive market opportunity in China’s automotive aftermarket industry. According to the CIC Report, connected services refer to connecting vehicles with the Internet and providing comprehensive hardware products, software services, and value-added services for customers such as 4S stores and automotive financing and leasing companies in the automotive aftermarket industry. Connected services for the automotive aftermarket industry mainly include sales of in-vehicle hardware products and SaaS marketing and management services. The automotive aftermarket industry encompasses a broad range of products and services, and refers to the collection of all vehicle-related services performed after a brand new car is sold. With the rapid development of China’s automotive industry towards becoming more Internet-connected and with increasing levels of electrification, and against the backdrop of the increasing prevalence of connected service scenarios, there are ample and continuously emerging commercialisation opportunities for novel application scenarios that connected service providers can provide, which will bring strong business opportunities to customers in the automotive aftermarket industry.

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According to the CIC Report, the total revenue of connected services for the automotive aftermarket industry in China increased from RMB6.6 billion in 2018 to RMB10.9 billion in 2022 at a CAGR of 13.1%, and is expected to increase to RMB28.3 billion by 2027, with a CAGR of 21.1% from 2022 to 2027. The total revenue of sales of in-vehicle hardware products and SaaS marketing and management services for the automotive aftermarket in China reached RMB6.6 billion and RMB4.3 billion respectively in 2022; and the market sizes for these types of services are expected to increase to RMB7.4 billion and RMB20.9 billion at a CAGR of 2.5% and 37.1% from 2022 to 2027, respectively, according to the CIC Report. In view of this development, we believe our sales of in-vehicle hardware products and provision of SaaS marketing and management services give us competitive advantages to benefit from the ample and continuously emerging opportunities in the automotive aftermarket industry.

We have a diverse customer base and we have established stable business relationships with them. Our sales of in-vehicle hardware products and provision of SaaS marketing and management services mainly target 4S stores that provide full vehicle life-cycle services for car users. According to the CIC Report, among the different automotive aftermarket participants, 4S stores have a market share of over 50% of the sales and services channels in terms of transaction volume and they dominate the sales and services channel for automotive, accounting for nearly 90% of the total new car sales volume. Furthermore, the number of 4S stores in China reached around 31,200 in 2022 and the number is expected to reach approximately 32,900 by 2027. In 2022, we served over 2,800 4S stores with our SaaS marketing and management services and that number increased to over 3,600 4S stores for the year ended 31 December 2023. Therefore, we believe that there are vast business opportunities for growth in this market.

Our offerings

During the Track Record Period, we provided (i) in-vehicle hardware products and (ii) SaaS marketing and management services, covering SaaS subscription services and SaaS value-added services, to help our customers to achieve digital transformation. Our industry-specific products and services are mainly designed for 4S store customers to cater for their corporate needs, in particular, allowing them to achieve customer acquisition and to enhance the connection between their car user customers through the process of customer reach, leads generation and sales conversion. In 2023, we helped our 4S store and automotive financing and leasing company customers to reach out to their car user customers for over eight times on average.

- **Sales of in-vehicle hardware products:** We provide in-vehicle hardware products, which are the in-vehicle hardware connected to the back-end platform-based infrastructure, which utilises an access platform we developed for receiving, storing and processing data generated by in-vehicle hardware, to 4S stores and channel partners, and core boards to in-vehicle device OBMs customers. Our in-vehicle hardware products support connectivity and functions like navigation assistance, collision detection and online entertainment, through which, empower our 4S store customers to better

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connect with their car user customers and provide integrated solutions based on the hardware, software and services. Our key products include in-vehicle infotainment systems, in-vehicle safety systems and core boards, which has have our proprietary software embedded.

- **SaaS marketing and management services:** We provide SaaS subscription services, including Dijia Smart Store SaaS (嘀加智慧門店SaaS) system and services (“**Dijia SaaS**”) targeting 4S store customers and channel partners, and HuGe e-Shield Smart Management SaaS (虎哥e盾智慧車管SaaS) system and services (“**HuGe e-Shield SaaS**”) targeting automotive financing and leasing companies. Our Dijia SaaS facilitate our 4S store customers to better manage their car user customers through functions like direct customer reach, automated data labelling and user management and precise marketing. These functions of our Dijia SaaS empower our 4S store customers to simplify and automate their work flow and help them to achieve customer acquisition and enhance their sales performance. Our SaaS subscription service under Dijia SaaS provides tools for our customers to gain insights into the needs of car users, reach out to car users and improve our customers’ digital marketing capabilities. In addition, through our Dijia SaaS we are able to proactively reach out to car users, who are customers of our 4S store customers, and provide them with our SaaS value-added services, mainly consisting of customised auto decoration products and services for car user customers, and allow us to provide online and offline integrated marketing services to our 4S store customers. Our other products and services, HuGe e-Shield SaaS allows our automotive financing and leasing company customers to improve their risk management abilities during the process of monitoring of vehicles that are under finance and vehicle management after provision of financing, thus helping them to monitor the condition of the vehicles under finance, improve the vehicle recovery rate (which is a measure of the likelihood of automotive financing and leasing company being able to recover the vehicle under finance or the leasing, and expressed as the number of successfully recovered vehicles divided by the number of vehicles at risk and multiplied by 100%) and mitigate economic losses.

The categories of automotive hardware available in the automotive aftermarket industry are diverse, and we possesses several advantages and distinctive characteristics in comparison to other players in the automobile aftermarket: (i) we primarily offer customised digitalised hardware products that align with the trend of connected services in China, rather than offering traditional auto parts such as tyres and brake pads; so our Directors are of the view that there will be more growth opportunities for the Group’s hardware products in the future; (ii) we mainly focus on automotive aftermarket customers (4S stores) and have accumulated a significant client base within the automotive aftermarket industry, whereas other auto parts providers have a significant portion of business that involves offering generic products to OEMs, hence their relationships with automotive aftermarket customers (4S stores) are weaker; and (iii) we have differentiated competitive strengths in special verticals, such as SaaS marketing and management services. This could improve our diversity of services and products, hence gain synergistic effect to improve our selling ability.

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Our SaaS marketing and management services were the results of an organic progression from our sales of in-vehicle hardware products business that we have been doing since our establishment. It was through the development and sales of the in-vehicle hardware products that our Group has established close contact with 4S stores and gained an appreciation of the sales scenarios and operational processes of 4S stores. To address those needs, our Group hired talents who are experienced in system development and in the SaaS industry to head up our development efforts, and through iterations of our SaaS service offerings, we aim to progressively address the different marketing and management needs of our customers. It was based on the in-depth research on SaaS products in the automotive aftermarket industry and also through receiving feedback from our customers our Group had found the way forward through analysing and differentiating the functionalities desired by customers looking for SaaS marketing and management services, and gradually developed the functionalities of the Dijia SaaS through historical iterations such as the Smart Store SaaS system (智慧門店SaaS系統).

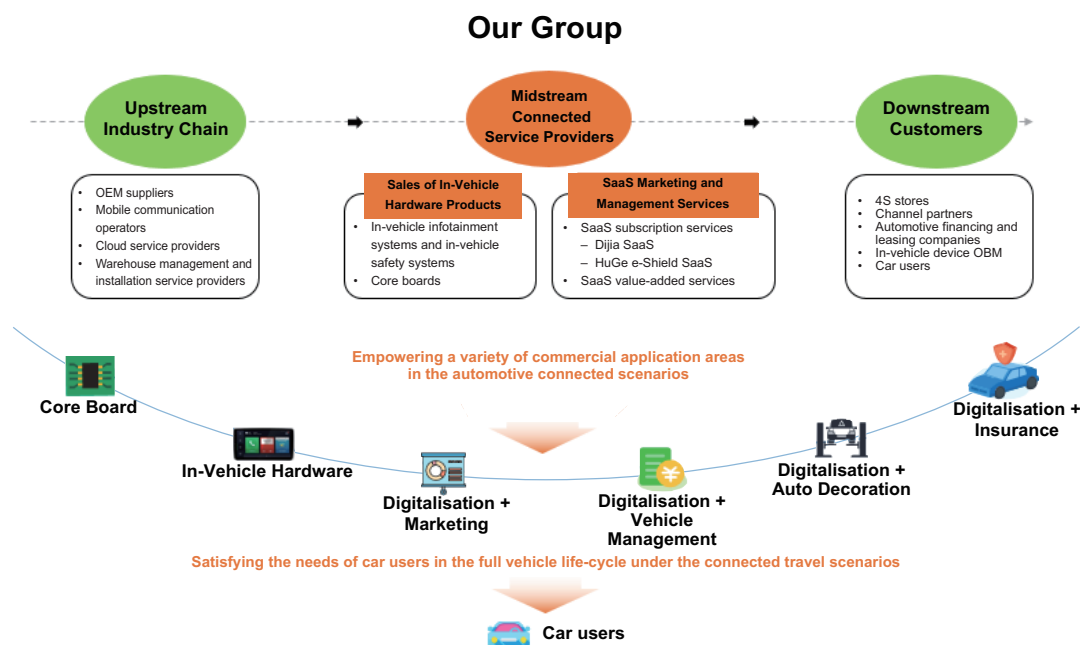
In 2021, private domain marketing based on WeCom, which allows merchants or enterprises to reach the desired group of users that they have established connections with through social media at a low cost, became gradually prevalent in the market, while 4S stores also paid more and more attentions to marketing, especially the development of marketing for after-sales. Our Dijia SaaS, a digital marketing empowerment for 4S stores, was developed. Dijia SaaS takes customer-oriented marketing operation as the core, realising continuous and targeted marketing for car user customers in multiple categories throughout the full vehicle life-cycle.

We take pride in our business model which encompasses both hardware and software elements of automotive connected products and services, with our in-vehicle hardware products creating value-add to car buyers while at the same time creating a channel through which our 4S store and automotive financing and leasing customers can reach out and digitally market to and/or manage their car user customers. The application of our automotive connected products and services, in particular, our in-vehicle hardware products can also strengthen the interaction between 4S stores and car user customers, including but not limited to interactions on matters of repairs and maintenance and providing assistance where needed. Our leads services under Dijia SaaS would require interaction with our in-vehicle safety hardware for their location retrieval functionalities. For each year of the Track Record Period, our revenue generated from the leads services were RMB105.7 million, RMB88.0 million and RMB73.6 million, respectively. Applying our in-vehicle hardware products including our Internet-enabled in-vehicle hardware is also an enabler for our SaaS and SaaS value-added services delivery, which can better meet the full vehicle life-cycle needs of car users and the marketing needs of our 4S store customers, which then leads to higher engagement between our 4S store customers and car users. Car users can also benefit from our offering of SaaS value-added services, including car usage experience enhancements such as auto decoration, which would enhance the enjoyment value of their car ownership. With our SaaS value-added services, we also help our 4S store customers provide services that meet the needs of car users throughout the full vehicle life-cycle.

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Our business model allows us to capture the business opportunities in the whole value chain of the automotive aftermarket and thereby distinguishes us from our competitors. Eyeing on the market potential in the automotive aftermarket industry in China with the relatively low penetration rate of Internet-connected hardware in vehicles sold at the time, we started our business in 2012 providing in-vehicle hardware products to 4S store customers. Leveraging our industry insight and established customer relationships and with the focus on 4S store customers, we launched SaaS marketing and management services in 2018 and we commenced our SaaS value-added services in March 2021. Over the years, our diversified products and services are designed to cater for the various business scenarios and applications for our customers, in particular of 4S store customers, which has laid the foundations to our business growth while nurturing and attracting a stable customer base. Our Directors consider our business lines create synergy effect and is crucial to our business growth. Our sales of in-vehicle hardware products and the provision of SaaS marketing and management services (including both SaaS subscription services and SaaS value-added services) cover the sales cycle of 4S store customers’ reaching out to car users, enabling them to achieve active operation, lead generation and transaction conversion, and in the process helping them expand the scope of their businesses and increase their revenue. We believe that through the virtuous interaction between our sales of in-vehicle hardware products and provision of SaaS marketing and management services businesses, we have been successful in cross-selling our different products and services to our target customers. During the Track Record Period, our revenue contributed by cross-segment customers amounted for RMB209.5 million, RMB228.3 million and RMB281.9 million, respectively.

The following diagram illustrates the upstream and downstream industry chain we are in, our key products and services and the key industry players who benefit from our products and services. Our products and services empower a variety of commercial application areas in various automotive connected services scenarios:



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As a major connected services provider providing in-vehicle hardware products and SaaS marketing and management services to the automotive aftermarket industry players, we have leveraged and integrated the resources of the upstream industry chain including in-vehicle hardware manufacturers, mobile data traffic providers and cloud computing services providers to develop SaaS services for automotive aftermarket industry players such as 4S stores, automotive financing and leasing companies and in-vehicle device OBM, and through our products and services allowing them to improve their marketing and operational efficiency as well as their revenues and profitability. As a provider of connected services, our suppliers and customers include:

- **Upstream Suppliers:** Our suppliers include OEM suppliers, mobile network operators, cloud service providers, warehouse management and installation service providers. We bring together the different resources and capabilities of our upstream suppliers, and through combining and integrating their production and processing, mobile network data, cloud computing services, logistics and installation service offerings, we develop and build our own products and services. With the support of the upstream industry chain, we can focus on the development of our own core technologies and iterate our products and services to achieve rapid response and delivery to customer needs.
- **Downstream customers:** Our customers include 4S stores, channel partners, automobile financing and leasing companies, in-vehicle device OBM and car users. The connected services we build for our downstream customers help our 4S store customers enhance their digital marketing capabilities to improve their revenue and profitability, automotive financing and leasing company customers enhance their vehicle asset management capabilities, and in-vehicle device OBM enhance their product development capabilities, respectively. For our 4S store customers, by embedding our in-vehicle hardware products in vehicles, 4S stores can upgrade the intelligence and Internet connectivity of non-connected traditional vehicles that they sell while car users can enjoy in-vehicle hardware-related services, enhancing the appeal of vehicles that our 4S store customers sell to car buyers while at the same time creating a “win-win” situation for both our 4S store customers and car buyers alike.

Our capabilities and recognitions

We believe our research and development capabilities give us a competitive advantage in maintaining our leading market position in the SaaS marketing and management services space and connected services industry and capturing new market opportunities. As at the Latest Practicable Date, our research and development team consisted of 75 members, who have extensive experience in the areas of SaaS services and data analysis of 4S stores. As at the Latest Practicable Date, we owned 28 patents and over 40 software copyrights, and these self-developed IP rights enable us to provide a full-range of functions, which can be customised and tailored for different application

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scenarios and individual business needs within the automotive aftermarket industry, for example vehicle-connected technology leveraging on our in-vehicle hardware for accurate detection of vehicle collisions, vehicle-connected technology and computational algorithms for risk control and alert on abnormal vehicle movement trajectory, management technology for in-vehicle smart terminals and in-vehicle hardware data traffic cards, image analysis algorithms used to support collision site identification, voice assistant to support efficient user communication, and we have also developed a large volume of relevant software for Dijia SaaS and HuGe e-Shield SaaS.

The research and development results accumulated over the years are the core essentials for our continuous growth. We have obtained certifications from various systems, including passing the ISO9001 (quality management certification), ISO20000 (information technology management system certification), ISO27001 (information security system certification), CMMI3 (software capability maturity level three) and Information System Security Classified Protection Level 3, and we have also been recognised as National High and New Technology Enterprise (國家高新技術企業) since 2021. In 2023, we were recognised as a specialised, sophisticated, distinctive and innovative small-to-medium enterprise (專精特新中小企業) by the Shenzhen Small and Medium Enterprise Service Bureau (深圳市中小企業服務局).

As a testament of our well-recognised capabilities in the industry and our success in developing and launching products and services that address the needs of our customers, we have been granted the “Golden Finger” Award for Internet of Vehicles Solutions in 2021 (2021年度車聯網解決方案「金手指」獎) presented by the organising committee of the China (Greater Bay Area) International Internet of Vehicles Conference (中國(大灣區)國際車聯網大會組委會), the “Internet+” Performance Pioneer Award for the China Automobile Dealing Industry (中國汽車流通行業「互聯網+」實踐先鋒獎) in 2017 presented by CADA. In addition, our Dijia SaaS was awarded the “19th Shenzhen Enterprise Innovation Record” (第十九屆深圳企業創新記錄) by Shenzhen Enterprises Innovation Record Approval Committee (深圳市企業創新記錄審定委員會) and Shenzhen Enterprises Innovation Record Organisation Committee (深圳市創新記錄組織委員會) for pioneering innovation among industry peers in China. We have also become a member of the Shenzhen Association for Artificial Intelligence (深圳市人工智能學會理事單位) in 2022.

OUR STRENGTHS

A major connected services provider for players within the automotive aftermarket in China

We are a major connected services provider for players within the automotive aftermarket in China. According to the CIC Report, we ranked second in the connected services providers who provide services to automotive aftermarket industry in China, and ranked first as a SaaS marketing and management service provider provided to the automotive aftermarket industry in China, both in terms of revenue in 2022.

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We are dedicated to driving the digital transformation of the automotive aftermarket. With over ten years of continuous development in the automotive aftermarket industry, we have accumulated solid industry experience in in-vehicle hardware, algorithm models, SaaS systems and other related fields. In particular, our Directors consider that our business model, which encompasses both sales of in-vehicle hardware products and SaaS marketing and management services, allows us to capture business opportunities in the whole value chain of the automotive aftermarket and thereby distinguishes us from other competitors. We believe that we have a mutually complementary relationship with our 4S store customers, so we have great potential to continuously increase our market share in the automotive aftermarket.

Based on our well-established market position in the automotive aftermarket connected services market, our customers have formed strong user stickiness to our services. For example, during the Track Record Period, the retention rates of active 4S stores using our Dijia SaaS were over 95%. With our long-term industry experience accumulation and high user stickiness, we believe that we have established a competitive advantage and are well-positioned to grasp the growth potential of the market.

Industry specific and diversified products and services

We provide industry specific and diversified products and services covering (i) in-vehicle hardware products; and (ii) SaaS marketing and management services that empower our customers in the automotive aftermarket in China. We believe our comprehensive products and services facilitate our customers to streamline and digitalise their various business functions.

Our in-vehicle hardware products are designed to cover a range of different business and application scenarios. We provide in-vehicle hardware products, which are the in-vehicle devices connected to the back-end platform-based infrastructure to 4S store and channel partners, and core boards to in-vehicle device OBM customers. Our in-vehicle hardware products support functions like navigation assistance, collision detection and online entertainment, through which our products would empower our customers to provide integrated solutions based on the hardware, software and services and thereby better connect with their customers. Our key products include in-vehicle infotainment systems, in-vehicle safety systems and core boards.

We provide in-vehicle hardware products to 4S store and in-vehicle device OBM customers. We believe that our industry-specific products and services can cater for their corporate needs, in particular, allowing them to achieve customer acquisition and to enhance the connection between them and their customers. Our Directors believe that our in-vehicle hardware products is effective to attract and nurture our customers and have laid a solid foundation for the subsequent development of SaaS marketing and management services.

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Our SaaS marketing and management services allow our customers to achieve cost reduction and efficiency enhancement in their businesses. Through our Dijia SaaS, we provide functions such as direct customer reach, automated data labelling and user management and precise marketing push. These functions of our SaaS marketing and management services empower our 4S store customers to simplify and automate their work flow and help them to achieve customer acquisition and enhance their sales performance. For instances, we respond to the needs of car users in a timely manner (such as providing timely roadside assistance to car users) in the travel scenario of the connected services, through which we help to quickly link up our 4S store customers with car users. In addition, our member benefits management system enhances the reaching out to activities of users of the stores' private domain. Our Dijia SaaS enables our 4S store customers to provide their car user customers with automotive aftermarket services that meet car users' needs efficiently. Through SaaS marketing and management services, our Dijia SaaS enables 4S store customers to reduce cost, enhance efficiency, realise precise and targeted marketing, and achieve transaction conversion, enhancement and transformation. During each year of the Track Record Period, the number of active 4S store customers using our Dijia SaaS were 1,856, 2,409 and 2,612, respectively.

Our SaaS value-added services enable our 4S store customers streamline private domain functions and efficiency by improving traffic redirection and monetisation. Leveraging on our industry experiences and data analytical capabilities, we embed tools in our in-vehicle hardware products and SaaS marketing and management services. Our SaaS marketing and management services further assist our 4S store customers to digitalise their business functions by allowing the integration of online and offline marketing capabilities and services, and thereby developing other value-added businesses, such as providing auto decoration products and services, and finally resulting in business expansion and increasing the value of transactions of value-added products and services. In 2022, we provided 667 4S stores with our SaaS value-added services and that number increased to 1,429 4S stores in 2023.

Research and development capability and industry insight supporting our growth

We believe our research and development capability is crucial to our continued success and abilities to maintain our leading market position in the SaaS marketing and management services space and vehicle-connected services industry and capture new market opportunities. We have been continuously offering new products and services through research and development. As at the Latest Practicable Date, we have a research and development team consisting of 75 members, accounting for approximately 35% of the total number of employees. Our research and development team keeps track of relevant technological advancement in respect of connectivity and the automotive aftermarket industry in China to keep abreast of industry knowledge development. With our well-proven research capabilities and industry vision supporting our growth, we have developed a set of customised technologies for digital operation services around connected scenarios.

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During the Track Record Period, our research and development expenses were RMB16.8 million, RMB17.0 million and RMB18.1 million, respectively. Benefitting from continuous research and development investment and experienced research and development team, we have achieved outstanding results in research and development. Our continuous efforts on research and development in the industry have been awarded with multiple accreditations and recognition from various organisations and entities. For example, we have successively passed ISO9001, ISO20000, CMMI3, Grade III protection of information system security and other system certifications, and has been recognised as a national high-tech enterprise since 2021.

As at the Latest Practicable Date, we obtained 28 granted patents in total, including 24 invention patents, as well as over 40 software copyrights, covering a number of connected scenarios, mainly including vehicle-connected technology for realising accurate detection of vehicle collisions, vehicle-connected technology for risk control and alert on abnormal vehicle movement trajectory, management technology for in-vehicle smart terminals and in-vehicle hardware data traffic cards, image analysis algorithms used to realise collision site identification, voice assistant to realise efficient user communication and a large volume of relevant software for Dijia SaaS and HuGe e-Shield SaaS.

Our continuous investment in the fields of big data and algorithmic modeling, combined with years of industry experience in the connected field in the automotive aftermarket, allowed us to build an industry-leading insight. With such ability, on the one hand, we constructed a number of commercialisation models for automotive connected travel scenarios in a targeted manner and enabled participants in the automotive aftermarket industry to reduce costs and increase revenue. On the other hand, we have gained a keen insight into the pain points and development trends of the automotive aftermarket industry, so as to constantly improve our service capability and continuously expand our service coverage.

Diverse customer base and stable relationships with customers

We have a diverse customer base and a stable relationship with our customers. Our customers are mainly 4S stores in the automotive aftermarket industry. We also provide digitalisation products and services to in-vehicle device OBMs and automotive financing and leasing companies. We consider that having such a diverse customer base allows us to have a stable and steady line of business and also diversified revenue sources.

In 2022, we provided SaaS marketing and management services to over 2,800 4S stores and that number increased to over 3,600 4S stores in 2023. In addition, we have maintained a ten-year business relationship with Customer A, our largest customer throughout the Track Record Period, which operated over 700 4S stores as at 31 December 2022, and our services covered most of their 4S stores in 2022. As at the Latest Practicable Date, we have established business relationship with our five largest customers for each year during the Track Record Period, with an average years of relationships of around five years.

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We believe that the stable business relationship with our reputable customers among the industry reflects our consistently high quality of services that are able to address the different needs of our customers, as well as highlighting our well-established position. The close cooperation with a large number of customers in the automotive aftermarket industry deepens our understanding of the customers’ monetisation scenarios in the automotive aftermarket, in order to continuously improve our service quality, as well as enhance customer experience and customer stickiness. At the same time, as we continue to expand our business vertically and expand our scope of services along the industry value-chain, the extensive and long-term customer base has also provided us with a first-mover advantage in business development. As establishing customer base and building up reputation take time and effort, we believe our close and stable business relationships with our customers cannot be easily replicated by our competitors.

Experienced management team with extensive experience

We have an experienced management team with extensive operational expertise and an in-depth understanding of our industry. Leveraging their respective expertise, our founders have jointly brought us from our inception to the current prosperity of our business. In particular, Mr. Zhu Lei, our chairman and executive Director, has more than 30 years of experience in corporate and business management. Mr. Zhao Zhan, our chief executive officer, general manager and executive Director, has engaged in the automotive aftermarket industry for more than 15 years, and has accumulated extensive experience and foresight on the application of big data of the digital services in the industry. Mr. Wu Shan, our deputy general manager, has involved in the information technology industry for more than 30 years and has accumulated extensive experience in big data and digitisation services for the automotive aftermarket industry. Mr. Zhang Yong, our chief financial officer, has worked in various accounting firms and listed companies and has over 20 years of experience in corporate financial management. Mr. Shen Jian, our chief technical officer, has served as the technical director of several Fortune 500 and unicorn enterprises, and has over 20 years of experience in technologies such as connectivity, big data analysis, algorithmic modeling, and the field of software system engineering. Please refer to the section headed “Directors and Senior Management” in this document for biographical details of our Directors and senior management.

We believe that the vision and ability of our management team to identify and respond to market trend together with the extensive experience possessed by them have provided us with a competitive edge to capture the potential market opportunities in our industry and contributed to our growth.

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OUR STRATEGIES

We intend to maintain our market competitiveness and enrich the functionalities of our products and services, and expand market position in China by implementing the following strategies:

Continue to enhance our research and development capabilities to strengthen our competitiveness

We will continue to enhance our research and development capabilities. We believe that our research and development capabilities is crucial to our success and we seek to cater for the growing demand in the industry by devoting more resources to develop innovative features and upgrade the functionality of our existing SaaS marketing and management services. With the development of connected services for the automotive aftermarket industry in China, there is a growing demand of our sales of in-vehicle hardware products and SaaS marketing and management services from the participants along the automotive aftermarket industry value chain. According to the CIC Report, the total revenue of connected services for the automotive aftermarket industry in China increased from RMB6.6 billion in 2018 to RMB10.9 billion in 2022 at a CAGR of 13.1%, and is expected to increase to RMB28.3 billion by 2027, with a CAGR of 21.1% from 2022 to 2027. The total revenue of sales of in-vehicle hardware products and SaaS marketing and management services for the automotive aftermarket in China reached RMB6.6 billion and RMB4.3 billion respectively in 2022; and the market sizes for these types of services are expected to increase to RMB7.4 billion and RMB20.9 billion at a CAGR of 2.5% and 37.1% from 2022 to 2027, respectively, according to the CIC Report. Leveraging our well-established market position in the industry, and with our proven track record, we believe we can enjoy sustainable growth over in this fast-growing industry.

To capitalise on the growing industry demand, and based on our decade-long operational experience, it is our strategy to remain competitive by strengthening our research and development capabilities through the following initiatives.

Develop innovative features to our SaaS marketing and management services

We attach great importance on our services innovation. We plan to develop and launch our self-developed technology infrastructure that could achieve integration with reputable third party social media platforms. Through this new technology infrastructure platform, we intend to develop and launch additional functions that could allow centralised user management, evaluation of marketing activities and further leads generation. In addition, through the successful integration of our self-developed technology infrastructure with third party social media platforms, we believe this would at the same time serves as our customer acquisition channels and allow us to reach out to a huge pool of potential customers.

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Besides, we plan to horizontally expand the coverage of our SaaS marketing and management services to cater for more diverse business scenarios within the automotive aftermarket industry. For instances, we aim to develop SaaS marketing services system specifically for new energy vehicle sales scenarios, as well as covering car life benefits such as car wash, auto beauty and maintenance, second hand cars trade-in businesses. Through continuously enriching the functions and coverage of our products and services, we will reach out to different customer groups and derive more sales to our SaaS value added services.

Continue to enhance our algorithmic modeling capabilities

We aim to continuously enhance our algorithmic modeling capabilities to enhance our core competitiveness. Our Directors believe that the good algorithmic models in the automotive market plays a crucial role to our future business development. As such, we will further upgrade algorithmic models to expand and enhance the functions of our products and services in different business scenarios. In particular, we aim to utilise engines generated by contents based on large-scale models for content creation and formulation of sales and marketing strategies. We intend to utilise third-party engines generated by contents based on large-scale models and refine its function for targeted automotive scenarios. For example, traditionally 4S stores identified car users' needs relying primarily on manual means such as telephone calls, WeChat messages and in-store face-to-face communications, which are low in marketing efficiency and sales conversion rates as 4S stores could not understand and address car users' needs in a timely manner, resulting in low lead generation and sales conversion rates, thus leading to the loss of business opportunities. To address these weaknesses, we utilise the Customer Data Platform (CDP) to automatically label the car users that are already in the database of the 4S stores, and through this process automating customer labeling and implementing marketing initiatives for different customer interaction scenarios and generating tailor-made contents according to the labels of the car users, which help 4S store customers improve their marketing efficiency and marketing capabilities and improving their engagement with car users.

To keep up with the industry trend of connectivity in China's passenger vehicle industry, we intend to increase our resources to the application of large-scale models and generative tools. With the increasing availability of data, specialised large-scale models in the automotive industry are gradually maturing and being widely applied to cover the entire lifecycle of ICVs. Large-scale models can conduct personalised marketing and customer relationship management by precisely analysing potential customers' demands, and thereby improving sales efficiency. As such, we intend to train on the generic large-scale model, fine-tune it to develop a specialised model that could be easily and efficiently used by our automotive aftermarket store customers and would be applied in the various scenarios such as customer relationship and experience management and sales training in the 4S store, thereby increasing the business efficiency of each in-store personnel.

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We plan to use self-developed algorithmic models to assess and analyse customers' purchase cycles, formulate new opportunities for targeted marketing strategies, automated lead management, forecast demand and sales data. We also plan to continuously improve our research and development of algorithmic models and predictive analytics in after-sales leads-generation by optimising algorithms and models that can improve the accuracy of collision accident recognition. Leveraging our research and development capabilities, we aim to continue to connect with more industry participants along the industry value chain and continue to enhance and expand our products and services offerings to car user engagement. Based on the data collection of car users throughout the full vehicle life-cycle, our Dijia SaaS assist our 4S store customers to carry out user profiling, form marketing automation strategy, push different marketing contents for different car user groups that are more precisely matched with the actual needs of the car users, while at the same time reducing the level of manual input from the staff of 4S stores and improving marketing efficiency, thus achieving the aim of allowing our 4S store customers to improve car users' achieving user-stickiness.

Leveraging on the (i) growing industry demand; (ii) considerable industry expertise of the Group accumulated through our decade-long operational experience; and (iii) the continuous focus on products, services and technology improvement, our Directors believe that our Group is well-positioned to capture the rising demand for connected service for the automotive aftermarket industry in China.

Broaden our customer base and expand the service scope of our products and services

With the popularity of automotive intelligence and connectivity, the demand of car users is changing towards SaaS services, which strengthens the connection between car users and 4S stores and automobile manufacturers closer.

According to CIC report, there were around 31,200 4S stores in China in 2022, and the number is expected to increase to around 32,900 in 2027 while they are still in their early stage of digitalisation transformation. We believe that we are only providing services to a small amount of 4S stores in the entire market, demonstrating that there is a significant growth potential in this market.

We plan to expand the store coverage of our Dijia SaaS and allow more 4S stores to use our SaaS marketing and management services, including 4S stores who are currently in a dominant position in terms of transaction volume, and expand our business coverage to a large number of automotive aftermarket stores which are widely dispersed. Through years of long-term cooperation with various automotive aftermarket customers represented by top 4S stores, we have accumulated solid digital service capabilities and strong customer recognition among the industry. Leveraging on these advantages, we plan to continue to expand our customer base for our products and services, including, in particular, participating in industry exhibitions, industry association, increasing investment in direct sales teams, and enhancing network of channel partners.

BUSINESS

We plan to expand the our customer base and service scope of our products and services to the entire value chain of the automotive industry to meet the growing demand from car users, specifically including:

- **4S stores.** Our Dijia SaaS has enabled function based subscriptions for our 4S store customers support user activity and leads push, and support for various business scenarios that are novel to the industry in relation to user digitalisation. In terms of new types of SaaS value-added products and services, we have realised SaaS value-added auto decoration products and services and UBI renewal. We will support more scenarios including SaaS value-added used car sales assistance, NEV purchase and trade-in and auto financing mortgage, etc.;
- **Insurance companies.** Taking advantage of our accumulated connected technology for years, we plan to provide insurance companies with products and services for the full vehicle life-cycle needs of car users scenarios, covering accurate pricing scenario for auto insurance, precise inspection scenarios for insurance claims, NEV battery health care scenario and valuation of digital recycling of NEV battery scenario; and
- **Automobile manufacturers.** Leveraging our accumulated know-how and experience in serving 4S store customers, we plan to help automobile manufacturers establish or optimise digital connectivity, digital marketing and data service capabilities for connectivity with car users directly.

Expand the varieties of SaaS value-added products and services to satisfy the full vehicle life-cycle service needs of car users

Leveraging on our long history in the automotive aftermarket industry, our Dijia SaaS has accumulated a large number of 4S store customers in the automotive aftermarket in China. We believe that with the increasing levels of automotive intelligence, connectivity and digitalisation, car users will be looking for increased levels of customisation and personalisation in the products and services that they look for. Relying on our in-depth insight of the automotive aftermarket, we intend to innovate, expand and enrich the varieties of products and services to meet the ever evolving needs of car users, and in the process we aim to increase our cooperative involvement with our customers.

BUSINESS

The full vehicle life-cycle usually consists of the new car sales period, sub-new car run-in period of 0-12 months, car-use warm-up period of 12-36 months and loss and attrition period of more than 36 months. The following table sets out the product selection diagrams for car users’ needs in different periods of vehicle life-cycle:

	New car sales period	0-12 months sub-new car run-in period	12-36 months car-use warm-up period	More than 36 months loss and attrition period
Marketing products	<ul style="list-style-type: none"> • SaaS value-added auto decoration 	<ul style="list-style-type: none"> • SaaS value-added auto decoration 	<ul style="list-style-type: none"> • SaaS value-added auto decoration • SaaS value-added renewal of car insurance • SaaS value-added used car sales assistance 	<ul style="list-style-type: none"> • SaaS value-added auto decoration • SaaS value-added renewal of car insurance • SaaS value-added used car sales assistance • SaaS value-added NEV purchase and trade-in • SaaS value-added auto financing mortgage

We plan to expand the varieties of SaaS value-added products and services that we offer to our existing 4S store customers. From our interactions with 4S stores who subscribe to our Dijia SaaS, we find that there are many specific needs of car users throughout the full vehicle life-cycle that remain unsatisfied under the traditional operational model of 4S stores that focuses on auto parts and components. These specific needs include new car users’ needs for light auto modifications and auto accessories, car insurance renewal needs for car users who do not have active connection with automotive aftermarket stores, and NEV purchase and trade-in needs of car users.

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Through the integration of products and service resources in the upstream and downstream of the automobile industry chain, we have realised the transactions of auto decoration products and services by using our SaaS system. In 2022, we offered 667 4S stores with SaaS value-added services, and the number of 4s stores customers further increased to 1,429 in FY2023. We intend to promote the service to a larger number of 4S store customers, and gradually introduce new services and product categories such as used cars sales assistance and NEV purchase and trade-in. For example, in the second half of 2023, we have been appointed as a "service and product sales empowerment partner" by a NEV OEM to assist its NEV 4S stores through utilising our SaaS system and online and offline integrated marketing capabilities with an aim to improving the conversion rates of extended warranty sales for NEVs, and also to increase these stores' sales efficiency while at the same time ensuring the quality of sales activities and improving customer satisfaction. We plan to improve user satisfaction and stickiness through closer integration of our products offering with our customers' business, and achieve more digital service transactions, create additional revenue streams for 4S stores and increase the average revenue level of single 4S stores.

Seek strategic investment and collaboration opportunities in the upstream and downstream sectors of the industry

We intend to selectively seek strategic investment and collaboration opportunities that are complementary to our growth strategies. We expect to acquire or invest in the upstream and downstream of the industry such as in-vehicle hardware products manufacturers, 4S stores group or automotive manufactures, with an aim to expand our service offerings, sales channels, while enhancing the stability of our hardware and service supply and lowering procurement costs.

In selecting acquisition and investment opportunities, we will consider, among other things, operating history, scale of operation, annual revenue requirements, corporate background and market position. We believe our extensive industry experience and insights will enable us to identify suitable targets and effectively evaluate and execute potential opportunities. As at the Latest Practicable Date, we have not identified any potential target for acquisitions or investment.

Attract, nurture and retain talent

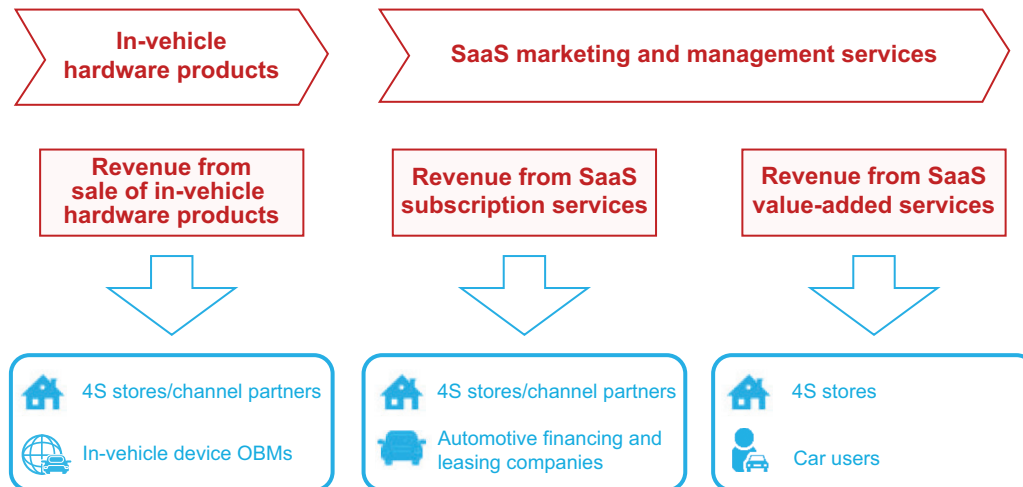
In order to cope with our expected business expansion and the evolving market demand, we intend to continue to attract, nurture and retain talent. We plan to attract talent with our competitive remuneration and vibrant corporate culture. In particular, we target to recruit talent from the automotive aftermarket industry to support our development. In addition, we plan to improve our employee training programs through both in-house training as well as external resources to upskill our employees. Our competitive remuneration and employee benefits will stimulate the productivity of our employees, allowing us to maintain our position as a market leader of the industry.

BUSINESS

OUR BUSINESS MODEL

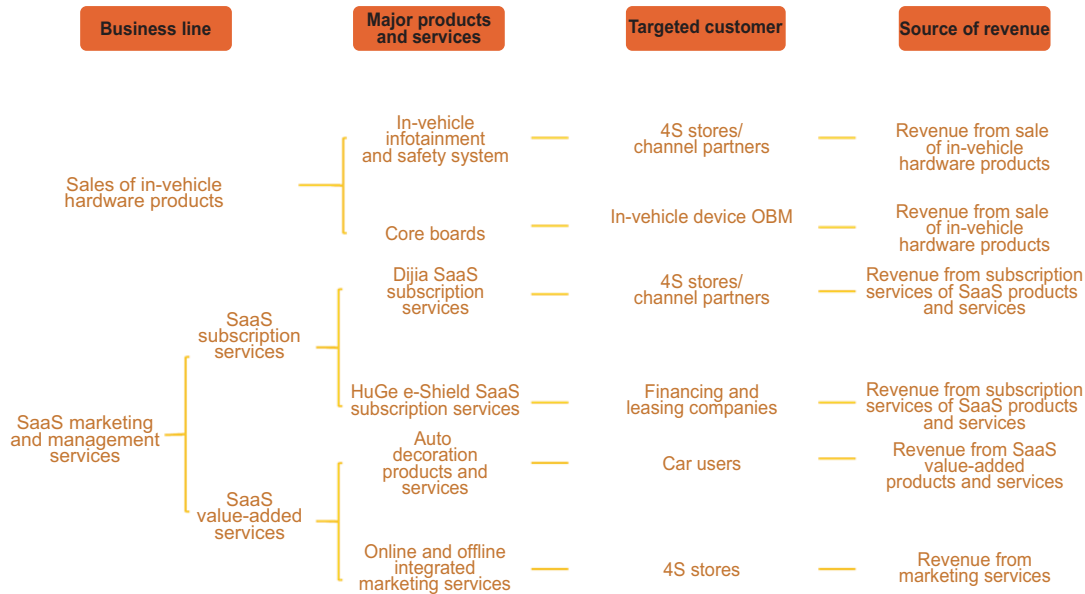
We endeavor to provide connected services for customers in the Chinese automotive aftermarket industry. We offer (i) in-vehicle hardware products, including (a) hardware such as in-vehicle infotainment systems and in-vehicle safety systems through either direct sales or sales through our channel partners, and (b) core board by offering core boards to in-vehicle device OBM customers through direct sales; and (ii) SaaS marketing and management services, which we offer (a) Dijia SaaS to 4S store customers through either direct sales or sales through our channel partners, and HuGe e-Shield SaaS to automotive financing and leasing companies through direct sales, and (b) SaaS value-added services, providing auto decoration products and services to car users and online and offline integrated marketing services to our 4S store customers. Our in-vehicle hardware is connected to the back-end platform-based infrastructure. It is the access platform developed by us for receiving, storing and processing the data generated by in-vehicle hardware, and through our implementation of specific hardware and software functionalities we aim to improve car usage experience. On the other hand, our SaaS marketing and management platforms are different sets of tools targeted to 4S stores and automotive financing and leasing companies.

The following diagram below sets forth an overview of our business model during the Track Record Period.



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Throughout the Track Record Period, our target customers have primarily been 4S stores and other automotive aftermarket industry participants, and the products and services that we offer have evolved around our target customers. The table below sets forth our business lines, our key product offering for each business line and our target customer groups during the Track Record Period:



The table below sets forth a breakdown of our revenue by business line and major product/service types during the Track Record Period:

	FY2021		FY2022		FY2023	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%
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
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

BUSINESS

(I) Our in-vehicle hardware products

Since our inception in 2012, we have been providing in-vehicle hardware products (enabling various functionalities such as Internet-enabled navigation, voice-control, in-vehicle infotainment, over-the-air (OTA) upgrade and smart information push) to customers, through which we have been bringing upgrades to the intelligence and connectedness of traditional vehicles. According to the CIC report, we are now one of the market leaders in the automotive aftermarket industry in China, and in 2022 we ranked third in terms of revenue generated from sales of in-vehicle hardware products for the automotive aftermarket industry in the PRC with a 2.6% market share.

We designed our in-vehicle hardware products against “Internet enabling” backdrop, and built our own platform that includes SDK embedded software, Internet connectivity (e.g. providing low cost data connectivity products and services), and application services (meaning multi-service aggregation and packaging, combining in-vehicle membership benefits, repair services, vehicle maintenance, and their related services). Our Directors believe that through the in-vehicle hardware products that we offer we have enhanced the intelligence of vehicles, created the capability of “reach” through the trinity of hardware, software and services, which laid a solid foundation for the subsequent development of SaaS marketing and management services.

Our in-vehicle hardware products include:

- (a) in-vehicle hardware, which is our integrated products and services package encompassing hardware, cloud-based products and services and APP, with components such as in-vehicle hardware and SIM cards that allows the hardware to be wirelessly connected to the Internet, through which our products would be able to provide integrated in-vehicle media content and service delivery. With the aftermarket installation of our in-vehicle hardware products, traditional cars can undergo an upgrade to become more Internet-enabled, and car users can experience an upgrade their car use experience through closer interaction between car users and 4S stores that provide aftermarket services on matters such as repair and maintenance; and
- (b) core board, through which we embed SDK software into our core board products, which may also be bundled data traffic, thus allowing our in-vehicle device OBM customers to efficiently develop their own products that are Internet-enabled.

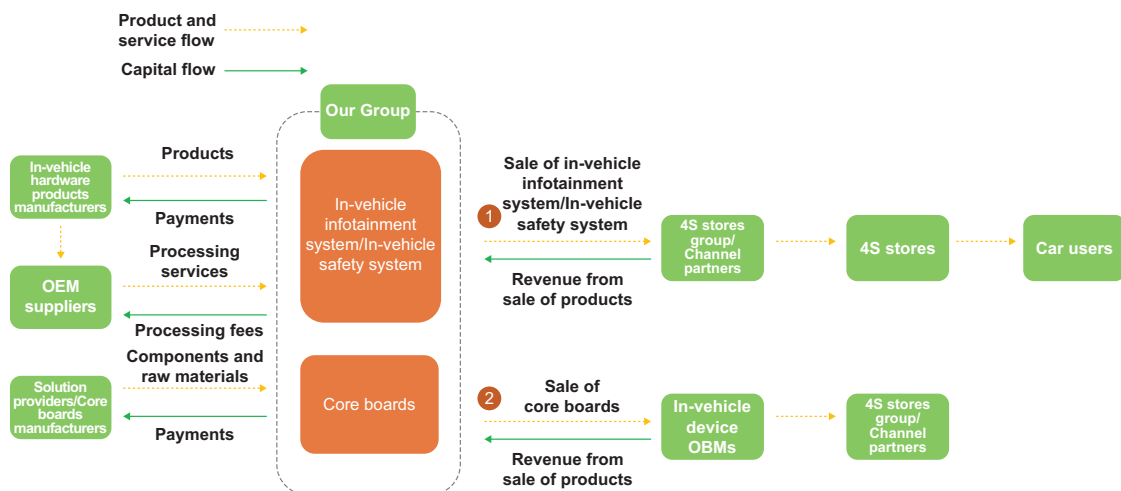
BUSINESS

Our in-vehicle infotainment system products are mainly installed into ICEVs, which during Track Record Period were primarily offered to joint-venture OEMs, which are ultimately sold to car users by our 4S store customers or our channel partners. These systems can be customised according to the actual needs of specific vehicle brands and models and can be installed in vehicles of different brands and models and during the Track Record Period, our in-vehicle infotainment systems were installed in brands of cars that are local to the PRC and also those which were produced by sino-foreign joint ventures. Our products are customisable and can be adapted by us according to our customers’ specifications and based on the actual needs of the specific brands and models of vehicles.

Our in-vehicle safety system products are mainly adapted by ICEVs and are ultimately sold to car users through 4S stores or our channel partners which are mainly non-vehicle model specific products that can be mounted either installed inside the car’s roof or front windshield through a bracket, and can be installed in different makes and types of vehicles independent of the brand of manufacture, and during the Track Record Period were installed in a number different brands and classes of vehicles including joint-venture OEMs, domestic brand OEMs and also a small proportion of luxury foreign OEMs. According to the CIC Report, joint-venture brands and domestic brands collectively accounted for 86.8% of the overall automotive market share in China in 2022.

Our core board products are supplied to our in-vehicle device OBM customers in the form of semi-finished core components of in-vehicle infotainment system, which can be adapted by in-vehicle device OBMs into finished hardware of different brands for subsequent sales. After integration and customisation, the device OBM customers would sell the completed product to car users through our customers’ own channels.

The diagram below sets forth the business flow of our sales of in-vehicle hardware products business during the Track Record Period:



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By developing a data traffic management system, we are providing a data traffic products and services including functionalities for our 4S store customers to monitor the consumption status of data traffic, prevent invalid data generation and customise different packages for our 4S store customers with an aim to lower the components of cost for car users for using our services. By customising the User Interface (UI) and integrating software functionalities such as voice recognition and response, navigation and cloud-based vehicle security monitoring, we have enhanced the Internet-connected car experience of car users. We have empowered our 4S store customers improve the comprehensive competitiveness of the products and services that they sell in the traditional auto sales process, and through our careful integration of software with hardware that are installed in cars that our 4S store customers sell, we have also enabled our 4S store customers who utilise our SaaS market and management services to acquire, retain, operate and generate leads from car users and allowing for closer interactions between car users and 4S stores including marketing pushes and remote service delivery. For further details, please refer to “– (II) Our SaaS marketing and management services” below.

For example, in a collision scenario, in the process of driving, our in-vehicle hardware installed in the vehicle will continuously collect GPS and G-sensor information, and analyse the driving conditions of the vehicle in real time. When the device detects a vehicle collision, the device will immediately upload a collision event to our back-end and perform the collision model analysis.

If the collision is confirmed by the analysis, our platform will push a collision message to the APP installed by the car users. Meanwhile, a collision lead will be pushed to the 4S store in Dijia SaaS system, and the staff of 4S store will be able to communicate with the car user shortly after a collision event and guide the car user to the 4S store for repairs.

The table below sets forth the breakdown of average selling price and sales volume by in-vehicle hardware product type during the Track Record Period:

	FY2021		FY2022		FY2023	
	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume
		'000		'000		'000
	RMB	units	RMB	units	RMB	units
In-vehicle infotainment system	885	90	863	112	763	166
In-vehicle safety system	227	74	224	60	383	65
Core board	144	551	142	440	130	574

BUSINESS

Over the Track Record Period, there has been a decrease in the average selling prices of our in-vehicle hardware products, which was primarily caused by the mix of products sold within a particular year, as products that have sophisticated functionalities (such as infotainment systems) or newly launched products that have more advanced functionalities would generally sell for higher prices whereas more products with fewer functionalities (such as in-vehicle safety products) would sell for lower prices. The decrease in average selling prices of in-vehicle safety system products from FY2021 to FY2022 was primarily due to the model of one of our in-vehicle safety system products being transformed into a general-purpose model with lower unit price. Besides, from FY2021 to FY2022, the sales volume of our in-vehicle infotainment system products and safety system products experienced a decreasing trend, primarily attributable to lower demands for these products by our customers, which our Directors understand were suffering from lower demands for automotive aftermarket services as these services generally correlate with vehicle usage, and the economic uncertainties in FY2021 had negatively affected demand for new hardware in vehicles (such as in-vehicle infotainment and safety systems) and also services required from the automotive aftermarket as a whole. In order to boost our sales, we launched, among other initiatives, the group purchasing campaign service under our SaaS value-added service, as a result of which, we achieved a rebound in our sales volume of in-vehicle infotainment system in FY2022 and FY2023. In FY2023, there was an increase in the average selling price of our in-vehicle safety system due to the increase in the sales volume of one of our in-vehicle safety products (which had higher unit price) through the sales of these products through our group purchasing campaign service.

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The table below sets forth the details of our main in-vehicle hardware products during the Track Record Period:

Type of in-vehicle hardware product	Unit price range of our main in-vehicle hardware products during the Track Record Period (RMB)	Key functions	Service contents
 <p>In-vehicle infotainment system</p>	610 to 1,468	Providing GPS-based navigation, Wi-Fi connectivity (both for connecting to the Internet and for hot spot sharing), media playback from both internal storage and USB external storage, AM/FM radio, connecting to mobile phones through Bluetooth, connecting to mobile phones through USB cable, mirroring functions (such as navigation, audio playback and video playback) across different devices and 360-degree surround view functionality (functionalities which might vary across different product models)	<ul style="list-style-type: none"> Improving the competitiveness of our customers in selling vehicles through adding functions to these vehicles such as in-vehicle information, voice-activated control, smart navigation, cloud-based vehicle security, and collision detection, while at the same time encouraging return visits to stores by car users when combined with our leads services under Dijia SaaS Providing flexible data traffic plans to 4S store customers through our in-depth cooperation with mobile operators
 <p>In-vehicle safety system</p>	145 to 750	Providing navigation, playing music from cloud services, FM radio, Bluetooth connection, Wi-Fi hot spot sharing, front and rear car cam recording, reversing camera, collision detection, voice-activated control, cloud-based vehicle security monitoring (雲電子狗), remote vehicle monitoring, driving history playback, and allowing for OTA upgrade (functionalities which might vary across different product models)	<ul style="list-style-type: none"> Through providing the SDK embedded software interface, allowing a quick way for OEMs to quickly develop their own products based on our in-vehicle platform, thus reducing their own development costs for new products We have integrated in our SDK embedded software a set of functionalities such as vehicle information, voice-activated control, smart navigation, cloud-based vehicle security and collision detection, through which our customers' product competitiveness can be enhanced
 <p>Core board</p>	95 to 280	Providing in-vehicle hardware that has SDK package embedded, is Internet-enabled and with media content having been integrated, and can support functionalities such as 4G network connectivity, Wi-Fi connectivity, data transmission through USB, 360-degree surround view functionality, media playback, connection to mobile phones, connection to reversing cameras, voice-activated control, in-vehicle infotainment and navigation, and online entertainment (functionalities which might vary across different product models)	(This cell is merged with the previous row's service contents for better readability, as per the image content.)

BUSINESS

Our in-vehicle hardware are combined with our own proprietary software. As at the Latest Practicable Date, we generated ten patents in our sales of in-vehicle hardware products business such as vehicle device relationship proofreading method (車載設備關係校對方法及設備) which to establish a unique binding identification relationship between a vehicle, a device and a car user; Internet of Things data traffic pool monitoring method, device and computer-readable storage medium (物聯網卡流量池監控方法、設備及計算機可讀存儲介質) by which we can provide customers with more accurate and detailed data traffic products and services; vehicle trip calculation method, device and readable storage medium based on in-vehicle device (基於車載設備的車輛行程計算方法、裝置和可讀存儲介質) which generate trajectories and trips through GPS information collected by in-vehicle device, providing basic data for analysis of car user’s driving behaviour. These innovations are converted into functionalities into the software and services that we offer, and depending on the software iteration, our proprietary software may contain innovations under one or more of the patents that are developed by us.

According to the CIC Report, in-vehicle infotainment systems and in-vehicle safety systems experience frequent upgrades in technology, functionality and features. To maintain our competitiveness, we regularly introduce new products and introduce upgrades to our existing products with an aim to improve customers’ evolving needs and the latest market developments for in-vehicle infotainment and vehicle safety. We keep a close watch on competing product development in the market and upgrade our own in-vehicle hardware products to maintain our market leadership. As such, our product life-cycle varies depending on how quickly the market evolves. We will continue to enrich, expand and upgrade our in-vehicle hardware products in terms of delivery forms (such as various forms of in-vehicle infotainment and safety-related terminals) and functions (such as voice control, OTA upgrade and information push) of our products, thereby helping our 4S store customers achieve quick enhancement to their abilities to reach the car users and also their service capabilities.

(II) Our SaaS marketing and management services

We provide our customers with SaaS marketing and management services comprising SaaS subscription services and SaaS value-added services. According to the CIC Report, we ranked first as a SaaS marketing and management service provider for the automotive aftermarket industry in China in terms of revenue generated from SaaS marketing and management services with a market share of 5.6% in terms of revenue 2022.

Our traditional focus, prior to our launch of our SaaS services, was on the design and sales of in-vehicle hardware products (including but not limited in-vehicle hardware and connectedness to the Internet), and our Group have developed a R&D team for product testing, development, operation and maintenance, with different functional roles coordinating and cooperating to develop the SaaS products based on software methodology and product development process.

BUSINESS

From 2012 to 2017, the demand for automotive financing and leasing in China developed rapidly and the automotive financing and leasing companies' demand on strengthening the post-loan risk control based on in-vehicle hardware and system also increased. As such, we proactively responded to such demands, and invested into the development of HuGe e-Shield SaaS. The HuGe e-Shield SaaS work in conjunction with the in-vehicle hardware and software that we were already producing to a large extent, while we utilise the SDK (Software Development Toolkit) and API that are provided by third party open-platform major map services provider in the PRC, Gaode Maps, that permits developers such as our Group to leverage on their maps in providing customised services, and through its R&D efforts, continuously iterated the HuGe e-Shield SaaS based on the needs for risk control from the financing and leasing companies.

The process of developing HuGe e-Shield SaaS has accumulated talents and technologies as a support for the development of its Dijia SaaS. From 2017 to 2021, with the needs for SaaS marketing and management of 4S stores, we applied the SaaS infrastructure built in HuGe e-Shield and launched the Smart Store SaaS system (智慧門店SaaS系統), which is the predecessor of the Dijia SaaS, which further enhanced our ability to help 4S store customers to realise the digitalisation of car user management process.

Through the development process of HuGe e-Shield, we have become well-prepared for the development of the Dijia SaaS in the following aspects:

- (i) Technical reserves. HuGe e-Shield SaaS served a large number of automotive financing and leasing companies through SaaS which enables our customers to realise the accumulation of key SaaS technologies including multi-tenant decentralisation and sub-domainisation (多租戶分權分域) and cloud infrastructure, multi-tier architectural design (多層架構設計) and micro-services (微服務) which are software frameworks that can be directly applied to the development of Dijia SaaS:
 - (a) Multi-tenant decentralisation and sub-domainisation: SaaS applications are generally multi-tenant, which means that a single application instance can serve multiple customers, each with their own data and customised settings. Implementing a multi-tenant architecture requires a design in terms of data isolation, security, performance and resource sharing.
 - (b) Cloud infrastructure: SaaS is generally built on cloud computing infrastructure which provide scalable computation, storage, and network resources to support elasticity and high availability of SaaS applications. We adapt to the leading cloud computing service provider through software reconfiguration.

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- (c) Multi-tier Architecture: a typical SaaS application utilises a layered architecture that includes a front-end interface, application logic, and database tier which helps to keep the code maintainable and scalable.
 - (d) Micro-services: the use of micro-services architecture allows for greater scalability and flexibility of SaaS system while simplifying the development, testing and deployment process.
- (ii) Talent reserves. HuGe e-Shield has accumulated our key talents in SaaS including SaaS system design software architects, cloud infrastructure operation and maintenance engineers, engineers of front-end, back-end and database.
 - (iii) Model reserves. the promotion and popularisation of HuGe e-Shield in automotive financing and leasing companies has enabled us to accumulate experience in designing efficient SaaS subscription business model and realise the building of SaaS value-added services by continuously expanding its services.

All of the above-mentioned reserves have laid a solid foundation for the development and promotion of Dijia SaaS. The development of our SaaS and SaaS value-added products are evolutions from our existing product offerings. Through the foresight and vision of our senior management, we were able to achieve its success during the Track Record Period.

For our SaaS subscription services, with our research and development and continuous upgrade of our Dijia SaaS, we help 4S store customers to improve their sales cycle by empowering them with full vehicle life-cycle digital marketing capabilities through customer acquisition, active operation and leads generation, and achieve cost reduction and efficiency enhancement. Further, we have developed HuGe e-Shield SaaS for our automobile financing and leasing company customers to provide them with vehicle risk management services such as in-loan monitoring, post-loan vehicle monitoring and effectively helping them to monitor the condition of the vehicles under finance, improve the vehicle recall rate and mitigating economic loss.

For SaaS value-added services, we have come to realise that many of car users' needs remain unmet. 4S stores are committed to provide value-added services but they lack insight into user demand, digital marketing efficiency, and quality of product delivery. Through providing online and offline integrated digital marketing services and based on the user pool reached by our SaaS marketing and management services, we help 4S store customers improve their transaction volume in novel types of value-added services. Our 4S store customers in turn provide us with user traffic to facilitate our auto decoration products and services business to car users group of our 4S store customers.

BUSINESS

We acquired the requisite knowledge and expertise to develop, promote and iterate the SaaS subscription services and SaaS value-added services in the following manner:

- (i) through the development and sales of the in-vehicle hardware products in the earlier stages of its development, we have developed close working relationships with 4S stores, and gained an appreciation on the sales scenarios and operational processes of 4S stores and the difficulties faced by them;
- (ii) we recruited talents such as Mr. Shen Jian (沈劍先生), the CTO of our Group, who joined our Group in January 2016 to head the R&D team, whose extensive experience in system development in the SaaS industry has contributed to our R&D capability and overall operational capacity. For further details of Mr. Shen’s experience, please refer to “Directors and Senior Management”.

After joining us, Mr. Shen led the team to build up the capability of developing SaaS products and iterating the SaaS products of the Company leveraging on industry his experience, feedback from our base of customers, and through closely monitoring the trend in SaaS marketing management in the automotive market industry in collaborating with other senior management of our Group. Please refer to the section headed “Business— Technology Infrastructure, Systems and Capabilities – Our Technological Capabilities” for further details of the qualifications of our research and development team; and

- (iii) through the study of SaaS products in the market and also participating in industry events and associations, and investing into in-depth research on SaaS products in the industry, we have successfully identified and analysed how those products fell short on addressing 4S stores and automotive financing companies’ and 4S stores customers’ needs, and how our own products would be able to differentiate from these competing offerings, and gradually developed the functionalities of the Dijia SaaS.

The Smart Store SaaS system (智慧門店SaaS系統), the predecessor of Dijia SaaS, was initially developed to address the digital and management needs of 4S stores. It was designed with a focus on managing the work of sales staff and serving the car users of these stores. In 2021, private domain marketing based on WeCom gradually became more popular in the market, while 4S stores also paid increased attention to marketing efforts, especially the development of marketing for after-sales activities and revenue streams. It was during this period Dijia SaaS, a digital marketing empowerment for 4S stores, was developed Dijia SaaS places customer-oriented marketing operation as its core, enabling continuous marketing across multiple categories and throughout the entire vehicle life-cycle for car user customers.

BUSINESS

Our 4S store customers of SaaS subscription services and SaaS value-added services cover large-, medium- and small-sized 4S stores with larger-sized 4S stores being the our main targeted customers.

The table below sets forth the main operating metrics of our SaaS marketing and management services during the Track Record Period:

	For the year ended 31 December		
	2021	2022	2023
Number of active 4S store customers using our SaaS marketing and management services ⁽¹⁾	1,898	2,880	3,623
— Number of active 4S store customers using our Dijia SaaS	1,856	2,409	2,612
— Number of active 4S store customers of SaaS value-added services	112	667	1,429
Revenue from 4S store customers using our SaaS marketing and management services (RMB'000)	123,713	219,383	313,854
Gross profit from 4S store customers using our SaaS marketing and management services (RMB'000)	56,489	129,421	202,096
Average revenue per 4S store customer for SaaS marketing and management services ⁽²⁾ (RMB'000)	65	76	87
Gross profit per 4S store customer for SaaS marketing and management services ⁽³⁾ (RMB'000)	30	45	56
Gross profit margin from 4S store customers using our SaaS marketing and management services ⁽⁴⁾	45.7%	59.0%	64.4%

Notes:

- (1) Number of active 4S store customers of SaaS marketing and management services represents the number of 4S store customers we provided SaaS marketing and management services to during the relevant year.
- (2) Average revenue per 4S store customer for SaaS marketing and management services is calculated based on aggregate total revenue from 4S store customers for SaaS marketing and management services divided by the number of active 4S store customers of SaaS marketing and management services of the relevant year.

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- (3) Gross profit per 4S store customer for SaaS marketing and management services is calculated based on aggregate total gross profit from 4S store customers for SaaS marketing and management services divided by the number of active 4S store customers of SaaS marketing and management services of the relevant year.
- (4) Gross profit margin from 4S store customers using our SaaS marketing and management services is calculated based on aggregate total gross profit from 4S store customers for SaaS marketing and management services for the year divided by the aggregate total revenue from 4S store customers for SaaS marketing and management services for the year and multiplied by 100%.

During the Track Record Period, the number of active 4S store customers that used our Dijia SaaS increased mainly due to: (i) the increase in demand of 4S store customers. With the deepening of automotive intelligence, Internet connectivity and the popularity of NEV, and the continuous emergence of digital business scenarios, which bring about changes in the marketing and service model of automotive aftermarket industry and increase in the demand for digital transformation of 4S stores. According to the CIC Report, SaaS subscription services in China’s automotive aftermarket grew at a CAGR of 17.4% from 2017 to 2022. During 2021 to 2023, due to the impact of COVID-19, the growth rate of new car sales declined so that our 4S store customers increased their attention and investment in the fast-growing after-sales service market, which led to a rising demand for “user-centric” SaaS services. The marketing prospects bring great opportunities for the growth of the number of active 4S store customers using our Dijia SaaS subscription services; (ii) the iteration and upgrading of our Dijia SaaS functionalities. We have continuously iterated and upgraded our Dijia SaaS functionalities by broadening its functional modules such as new service item charged based on functions of member benefit services so that our 4S store customers can choose the functional modules that they want, therefore allowing them to freely choose the modules that they wish to subscribe for from, which contributed to the increase in the number of our 4S store customers; and (iii) our extensive industry experience. We have more than ten years of experience and continuously increased our marketing efforts to promote our products and services and enhanced our brand image and competitiveness in the industry through online marketing media, various events organised by automobile-related industry associations and exhibitions. We also recruited experienced sales and marketing team members to work with more channel partners who have 4S store customer resources and reached more potential 4S store customers. During the Track Record Period, by stepping up the marketing events, we have accumulated numbers of registered 4S stores for trial, which were gradually converted into long-term customers of our SaaS subscription services.

During the Track Record Period, the number of active 4S store customers using our SaaS value-added services increased mainly due to: (i) the increase in demand of 4S store customers. Based on the long-term services and interactions between our Dijia SaaS system and our 4S store customers, we have found that under the traditional 4S store operation model, there are still many specific needs of car users that have not been met. SaaS value-added services help 4S store customers generate new transactions while meeting the needs of car users, increasing the revenue of 4S store customers; (ii)

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the provision of services required by 4S store customers. With our industry experience and data analysis capabilities, our SaaS value-added services enable our 4S store customers to achieve effective realisation on private domain traffic by improving traffic redirection through the low-cost online and offline integration of marketing services without additional investment in resources to achieve the increase in revenue; and (iii) Strengthening our marketing efforts. Since March 2021, we strengthened our marketing efforts to promote our SaaS value-added services and strategically set up local offices in key regions to enable our direct sales team to support sales in different regions, thereby expanding our sales network and customer base. Through increased marketing efforts, the number of 4S stores using our SaaS value-added services has increased rapidly from 112 in 2021 to 667 in 2022 and further to 1,429 in 2023, thus annual revenue per store has risen from RMB83,000 in 2021 to RMB166,000 in 2022 and the annual revenue per store was RMB140,000 in 2023, which has further contributed to the significant growth in the number of our 4S store customers for our SaaS value-added services.

SaaS subscription services

Our SaaS subscription services include (i) Dijia SaaS, which offers our SaaS marketing and management services to our 4S store customers and channel partners, and (ii) HuGe e-Shield SaaS, which offers SaaS management services to automotive financing and leasing companies.

Leveraging on our years of operational service experience in the field of sales of in-vehicle hardware products, we launched the Dijia SaaS mainly for our 4S store customers, and our system provides our 4S store customers with capabilities to reach out to their car user customers to increase customer traffic flow, active operation and leads generation, addressing the pain points of insufficient store-to-user interaction and imprecise lead identification capability. At the end of 2021, with the continued deepening of our user-centric digital operation concept, our Dijia SaaS was further upgraded to a SCRM system based on the WeChat ecology. Leveraging on the strong linking capabilities of WeChat, we continue to enhance the functions in the areas of reaching out to car users, active operation, lead generation, transaction conversion, with an aim to help customers continuously improve user satisfaction, activity rates and return rates.

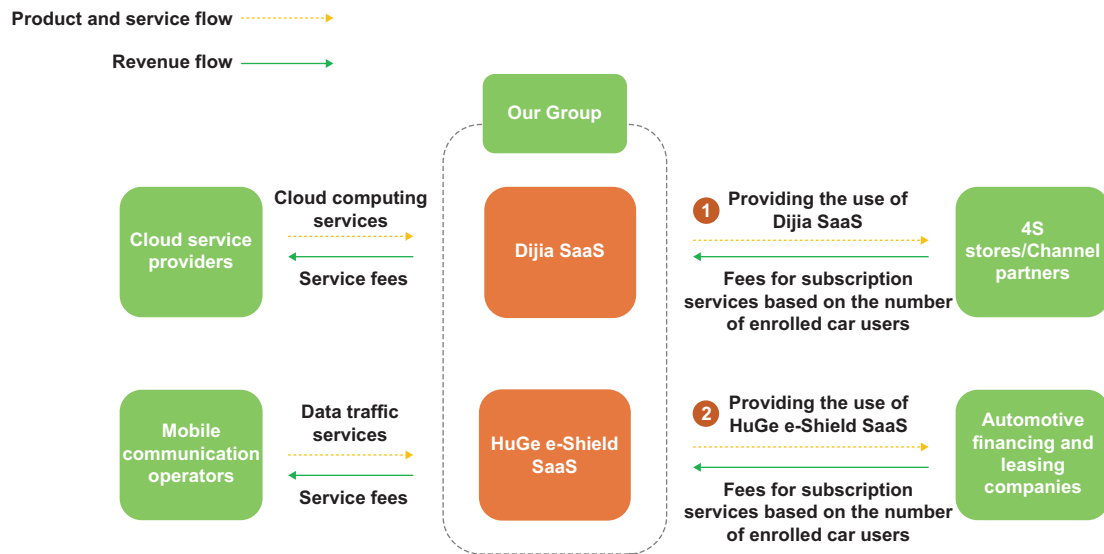
We launched our HuGe e-Shield SaaS targeting automotive financing and leasing companies to provide them with SaaS management of vehicle assets. With the growth of automotive financing and leasing business, these types of customers have an increasing demand for vehicle asset management products and services. Our HuGe e-Shield SaaS can help our customers improve their risk management capabilities during the process of loan monitoring and post-loan vehicle management, thereby effectively helping them to monitor the condition of vehicles under finance, improve the vehicle recall rate, and mitigating economic loss.

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When offering our SaaS services, we are required to procure data traffic from telecommunications operators to ensure that our SaaS subscription services have the necessary and stable data networking coverage for the agreed-upon service period.

Our SaaS subscription services have implemented functionalities that are developed by our own research and development, with certain functionalities being provided by us through utilising third-party development toolkits that are based on open source architectures, such as the ability of WeCom to reach out to users and the ability of Gaode Maps to provide the HuGe e-Shield functionalities on vehicle location. We utilise WeChat SDK to provide the following functionalities: (i) WeChat login: apply the interface to get the login credentials. The credentials are then converted into the user’s login information, including the user’s unique identification in the mini programme, the unique identification under the WeChat open platform account (if the current mini programme has been connected to the account of the WeChat open platform) and the session key for the current login in order to complete the encryption communication with the backend platform; (ii) Obtaining user authorisation information; and (iii) WeChat payment. We utilise the Gaode Maps SDK to provide the following functionalities: (i) conversion of addresses into latitude and longitude and the conversion of latitude and longitude into a detailed address used to identify the exact location of the vehicle; and (ii) marking vehicle location points.

The diagram below sets forth the business flow of our SaaS subscription services of SaaS marketing and management services during the Track Record Period:



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The following table sets out a breakdown of revenue, gross profit and gross profit margin of our Dijia SaaS and HuGe e-Shield during the Track Record Period:

	FY2021				FY2022				FY2023			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	RMB'000	RMB'000	%		RMB'000	RMB'000	%		RMB'000	RMB'000	%	
Dijia SaaS	114,399	49,811	43.5		108,465	42,266	39.0		113,908	42,302	37.1	
HuGe e-Shield SaaS	27,114	11,664	43.0		21,805	9,759	44.8		20,617	9,292	45.1	
Total	141,513	61,475	43.4		130,270	52,025	39.9		134,525	51,594	38.4	

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Dijia SaaS

Dijia SaaS is our latest generation of SCRM products and services for our 4S store customers focusing on solving various pain points and deficiencies of these stores such as lack of digital customer reaching capacity in user operation and marketing, insufficient user stickiness, imprecise lead identification and low transaction conversion rate. The key feature of SCRM is to provide customers with faster and personalised services based on interactive bilateral relationships (i.e. social relationships), thus attracting and retaining more customers. In our Dijia SaaS, the staff of our 4S store customers uses the tools offered through Dijia SaaS to establish an interactive bilateral relationship through WeCom account of our 4S store customers and the car user’s personal WeChat account, through which 4S stores would be able to provide fast and personalised service. The key capabilities available include (i) the user traffic reaching capability: through automated labelling management and automated marketing capabilities to achieve more efficient and accurate user acquisition, user base addition and conducting marketing; (ii) the active operation capability: through the operation of digital membership benefit system, achieving high-frequency interactions between users and 4S stores, increasing users’ stickiness to store services, and ultimately achieving a high return rate of users; and (iii) the leads generation capability: through various means such as scenarios and data analysis, accurately identifying users’ demands relating to their vehicle use and helping 4S stores to provide car users with products and services accurately.

Our Dijia SaaS improves the user operation and management efficiency of our customers’ stores, and comprehensively enhanced the user satisfaction, activity rate and return rate to our customers’ stores.

The table below sets out certain of our main metrics of our Dijia SaaS during the Track Record Period:

	For the year ended		
	31 December		
	2021	2022	2023
Number of active 4S store customers using our Dijia SaaS ⁽¹⁾	1,856	2,409	2,612
Retention rate of active 4S store customers using our Dijia SaaS ⁽²⁾	100.0%	98.5%	95.6%
Revenue for Dijia SaaS (RMB’000)	114,399	108,465	113,908
Gross profit for Dijia SaaS (RMB’000)	49,811	42,266	42,302
Average revenue per active 4S store customer for Dijia SaaS ⁽³⁾ (RMB’000)	62	45	44
Average gross profit per active 4S store customer for Dijia SaaS ⁽⁴⁾ (RMB’000)	27	18	16
Gross profit margin of Dijia SaaS ⁽⁵⁾	43.5%	39.0%	37.1%

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Notes:

- (1) Number of active stores of Dijia SaaS represents the number of 4S store customers we provided Dijia SaaS to during the relevant year.
- (2) Retention rate of active stores of Dijia SaaS is calculated based on the number of overlapping active 4S store customers of Dijia SaaS of the relevant year divided by the active 4S store customers of Dijia SaaS of the previous year.
- (3) Average revenue per active 4S store customer for Dijia SaaS is calculated based on aggregate total revenue from 4S store customers for Dijia SaaS divided by the number of active 4S store customers of Dijia SaaS system and services of the relevant year.
- (4) Average gross profit per active 4S store customer for Dijia SaaS is calculated based on aggregate total gross profit from 4S store customers for Dijia SaaS system and services divided by the number of active 4S store customers of Dijia SaaS system and services of the relevant year.
- (5) Gross profit margin of Dijia SaaS is calculated based on aggregate total gross profit from 4S store customers for Dijia SaaS system and services for the year divided by the aggregate total revenue from 4S store customers for Dijia SaaS system and services for the year and multiplied by 100%.

The following is the screenshot of our Dijia SaaS interface.



- (i) Achieving efficient user traffic reach

Generally, our 4S store customers face the following limitations in terms of reaching out to their car user customers: user management methods are too traditional, relying on manual data input or a single CRM system that could not synchronise into business operations on for their practical application scenarios in stores settings; lack of user portraits, or dimensions of user portraits are too singular to provide a multi-dimensional personalised depiction of users; solely relying on traditional communication means such as telephones and text messages. The development of Dijia SaaS aims to help establish direct and multi-dimensional channels of reaching out to car users by addressing the above limitations to achieve efficient management of users online, automated customer labelling, management of customers by group and marketing SOP, thereby improving user management efficiency and customer satisfaction in 4S stores. Based on different marketing needs of 4S stores, our 4S store customers generally will input the data of their car user customers into our Dijia SaaS system, and their sales and marketing staff will reach out to their car user customers using different marketing SOPs. Our 4S store

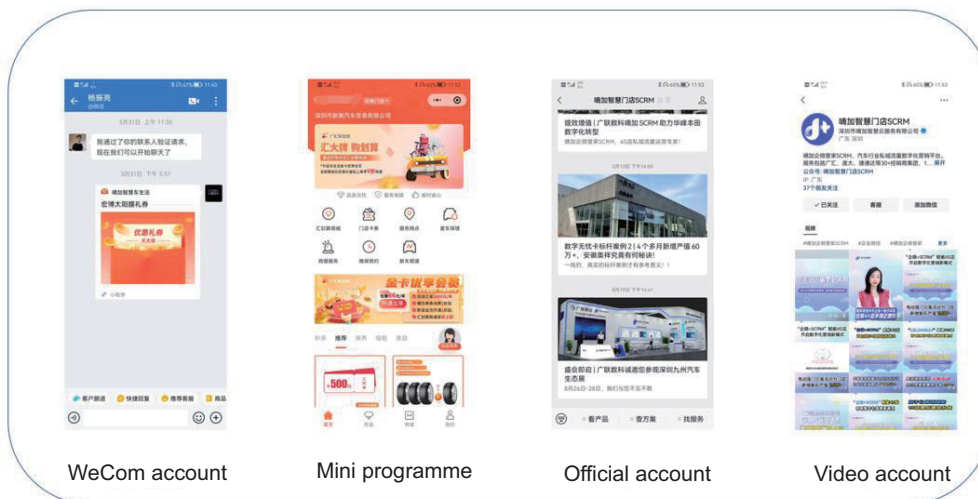
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customers will then label their car user customers by group based on the vehicle information and consumption records to facilitate them to define the types of car users and understand the needs of their car user customers.



(a) Rich means to reach out to car users

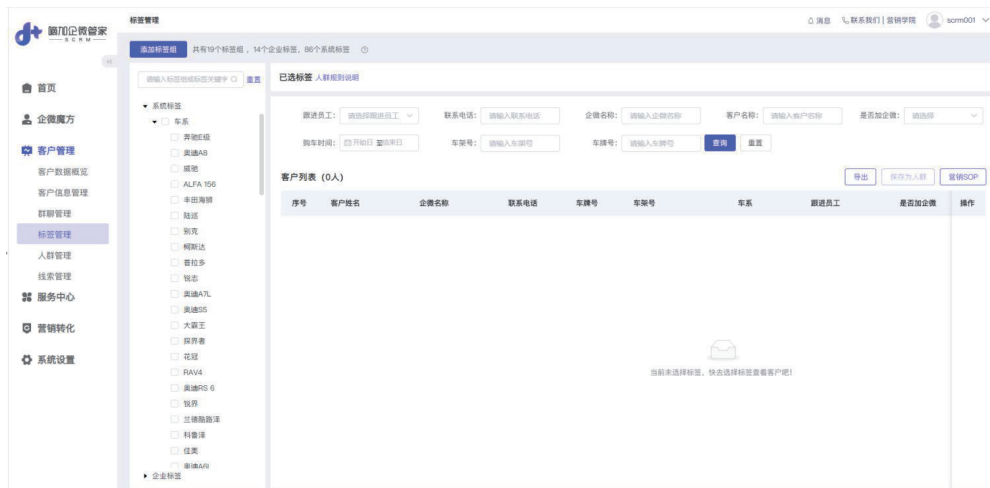
Dijia SaaS supports a strategy-rich user reaching matrix based on the WeChat ecology, covering WeCom accounts, mini programmes, official accounts, video accounts, etc. From the different means available to reach out to car users, our 4S store customers can adopt different strategies to bring user online and achieve user retention, such as adding users into the WeChat ecology through marketing content, which help to improve their ability to reach users. After adding their car user customers' WeChat contact through WeCom under the WeChat ecology, 4S stores may use the mini programme in WeChat provided by Dijia SaaS which we produced by paying an one-off certification fee to create online marketing contents and reach out to car users through WeCom (without the need to install any APP or relying on any other third party platform for such services), and their car user customers can purchase the products and/or services online when receive the marketing contents delivered by 4S stores. They may also reach out their car user customers by sharing the contents in our WeChat official account and WeChat video account to them for marketing purpose. The following are the screenshots of our Dijia SaaS which offers different means to reach out to car users:



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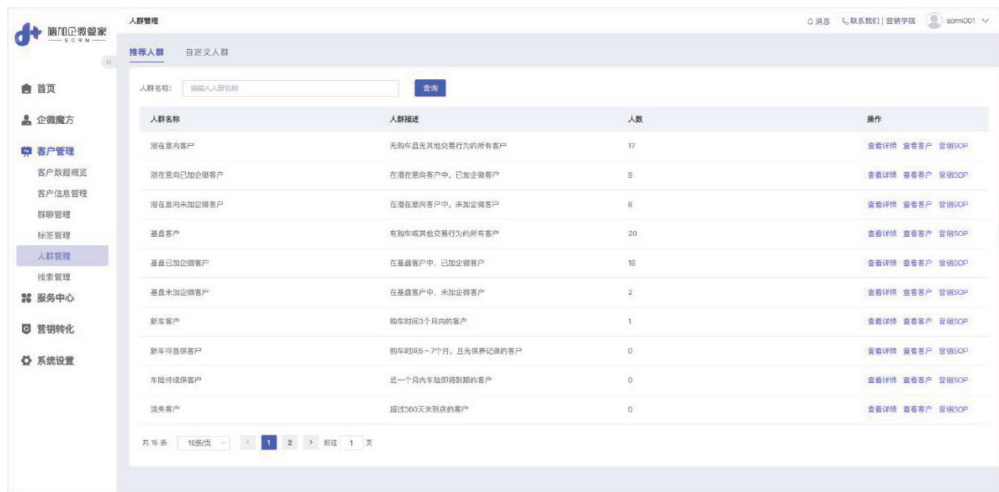
- (b) Customer reaching solutions: marketing automation based on multi-scenarios in the automotive aftermarket industry

Automated management of user labelling. User labels are sets of classification labels created by our 4S store customers based on user information that they possess, such as vehicle information and consumption history, which make it convenient for stores to define user types, understand users' needs, and making it easy for our customers' stores to follow up with users for targeted and precise marketing. Dijia SaaS automatically generates relevant user labels based on user data, and is capable of managing users by group through these labels, and subsequently formulates different marketing strategies for different user groups for group marketing drives and marketing push. The following is the screenshot of automated management of user labelling module under Dijia SaaS system:

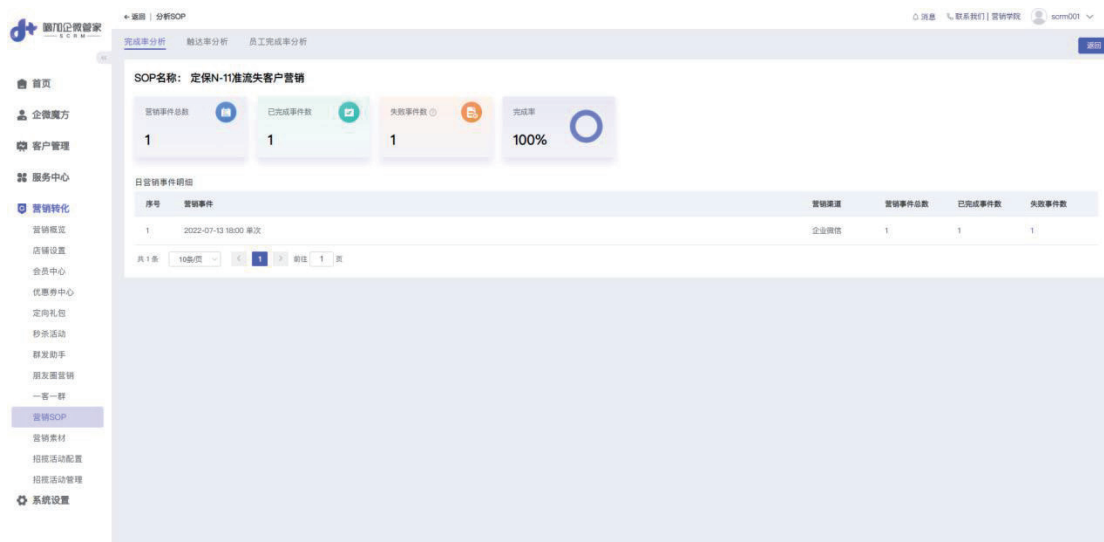


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Management of users by group. Management of users by group is to achieve the purpose of realising targeted and precise marketing to specific user groups based on common business scenarios. Based on a large number of customer labelling, our 4S store customers select targeted user groups through allowing them to freely multi-select the appropriate customer labels to accurately identify the targeted customer profiles, which are based on the different needs of car users along the full vehicle life-cycle and the business scenarios applicable to these life-cycle stages, thus laying the foundation for formulating appropriate marketing strategies to be applied towards the subsequent precise marketing of different groups of users. The following is the screenshot of management of users by group module under Dijia SaaS system:



Diversified and precise marketing push. Based on the filtered target user groups, our 4S store customers can pre-set the timing for triggering marketing SOP push, the marketing events and strategic content through our Dijia SaaS, and complete the push and collection of leads such as sending out maintenance reminders, cultivation of new users, customer care and activation of inactive customers. The following is the screenshot of diversified and precise marketing push module under Dijia SaaS system:



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Marketing effectiveness monitoring. Meanwhile, by virtue of automating the sales process, our 4S store customers can also monitor the effectiveness of marketing initiatives. Taking regular maintenance service promotion marketing push as an example, after the targeted potential customers having been identified through filtering and also through applying the appropriate labels, and after applying marketing push on the selected targets, our system would be able to display the post-event outcome of the marketing push. The following are the screenshots of marketing effectiveness monitoring module under Dijia SaaS:



“Reach statistics” keeps track on statistics on the effectiveness of marketing push

The system shows whether the “marketing push has delivered to the users” the statistics about if the push notification is “delivered or not”

For “delivered” marketing push, the system can keep track of the statistics on whether it has been “read”, “redeemed”, “reached the store”

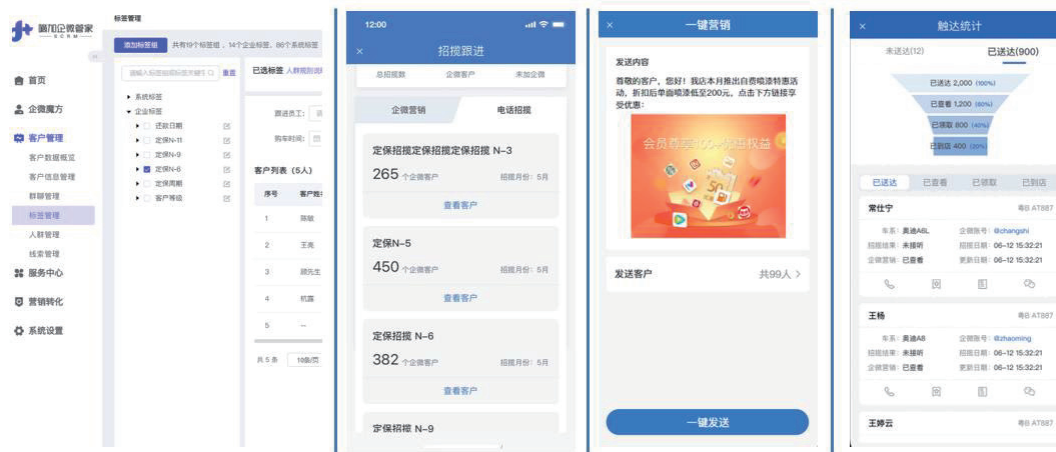
In addition, through the marketing tools offered by our Dijia SaaS, such as the group sending assistant that can send group messages to users, one group serving one customer service, managing marketing campaigns, and marketing through WeChat Moments, making the marketing work of our 4S store customers easier.

(c) Example on reaching out to customers: regular maintenance solicitation

Using the solicitation of regular maintenance services of car users as an example, our Dijia SaaS offers the linkage among the various steps of individual customer management functions such as user identification (regular maintenance label generation), grouping (regular maintenance group grouping), marketing push (regular maintenance group precise marketing) and effect monitoring (push result feedback). Through the transformation of the digital marketing system, the regular maintenance solicitation of car users has become more efficient, low-cost and results becoming measurable.

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The main process of our regular maintenance solicitation is as follows:



(i) User identification
(regular maintenance
label generation)

(ii) Management of users by
group (regular maintenance
group grouping)

(iii) Marketing push
(regular maintenance
group precise marketing)

(iv) Effect monitoring
(push result feedback)

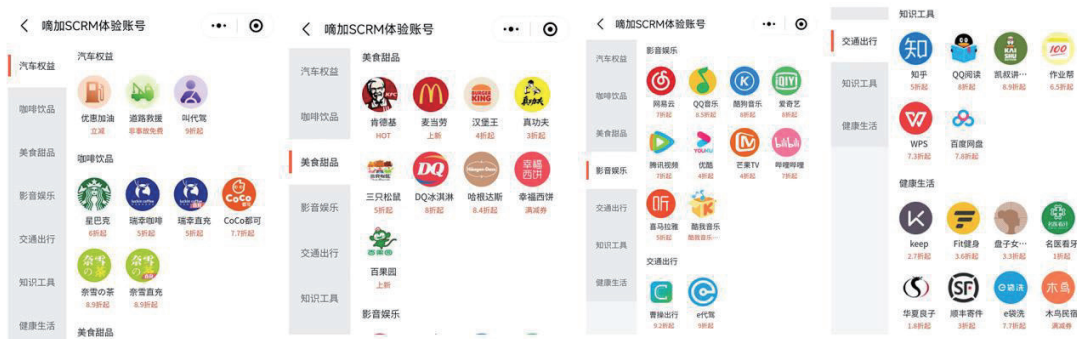
- (i) User identification: For the customer group to be solicited for regular maintenance, the regular maintenance labels N-3/N-6/N-9 (i.e. the customers who have not returned to the store for maintenance in the previous 3/6/9 months) is placed in different categories of car users according to their last regular maintenance visit.
 - (ii) Grouping: Potential car users needing maintenance services are grouped by the combination of regular maintenance labels and other labels (such as age/gender/vehicle model) to facilitate the formulation of different regular maintenance programs.
 - (iii) Marketing push: After grouping the regular maintenance car users, formulate precise marketing push strategy and promotion campaigns for different group of car users.
 - (iv) Marketing results monitoring: Our system analyses the marketing results at different stages of a promotion campaign and in the process optimising the marketing strategy.
- (ii) Member benefits services – enabling activation of car users who are members of 4S stores through offering member benefits.

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Taking into account the difficulties faced by 4S stores, such as the lack of means to keep in touch and maintaining activities with car users, member benefits management not being completely digitised, limitation of resources for individual 4S stores, and car users not being active in their interactions with the 4S stores, our Dijia SaaS assists our 4S store customers to digitalise these processes and improve the interactions between 4S store customers and their car user customers. Our Dijia SaaS offers member benefits to car user customers of our 4S store customers through high-frequency car life benefits, low-frequency car maintenance benefits and customised benefits by 4S stores.

High-frequency car life benefits. High-frequency car life benefits include benefits such as refueling, road-side rescue, catering, entertainment, travel, which would not only enable car users to enjoy more value-added services and more cost-effective benefits, but also promote user activation by tapping into the unmet needs of car users and car life-related scenarios through Dijia SaaS. We generally cooperate with third parties platforms that provide us with API interfaces to offer high-frequency car life benefits.

The following are the screenshots of high-frequency car life benefits that are offered under our Dijia SaaS:



Low-frequency car maintenance benefits. The low-frequency car maintenance benefits include tyre replacement, vehicle touch-up, glass window solar film replacement, and key and license plate replacement. The 4S stores can combine different benefits into packages and sell them to car users, which enhance the relationship between 4S store customers and their car user customers, laying a foundation for the continuous user interaction among themselves. We are insured by an insurance company for the provision of car maintenance benefits and the cost of car maintenance service will be borne by the insurance company.

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The table below sets forth some of the low-frequency car maintenance benefits our Dijia SaaS offers:

Benefits items	Services available
Tyre replacement service	Tyre replacement service after blowout, bulging or cracking occurs during normal driving of a vehicle
Accident repair service	Repairing a vehicle after loss notice of an accident
Key and plate reset service	Resetting the key and plate when missing
Glass solar film replacement service	Replacing the damaged solar film of a vehicle due to broken glass
Vehicle refinishing service	Refinishing a vehicle for the paint loss in its body due to a scratch without sharp collision

Customised benefits by 4S store customers. Customised benefits services by 4S store customers include car washing, four-wheel positioning, car maintenance. 4S stores directly provide services to the car users according to the benefits package purchased online after verifying and using the sold package in the back-end of the system to form a record online, realising automatic data flow and generating a report in real time, thereby facilitating our 4S store customers to resolve its pain points such as limited delivery scenarios, difficult to keep track of the purchased packages, and difficulties in generating data on verifying the usage of purchased packages. The following is a screenshot of the interface of the module of customised benefits of our 4S store customers.



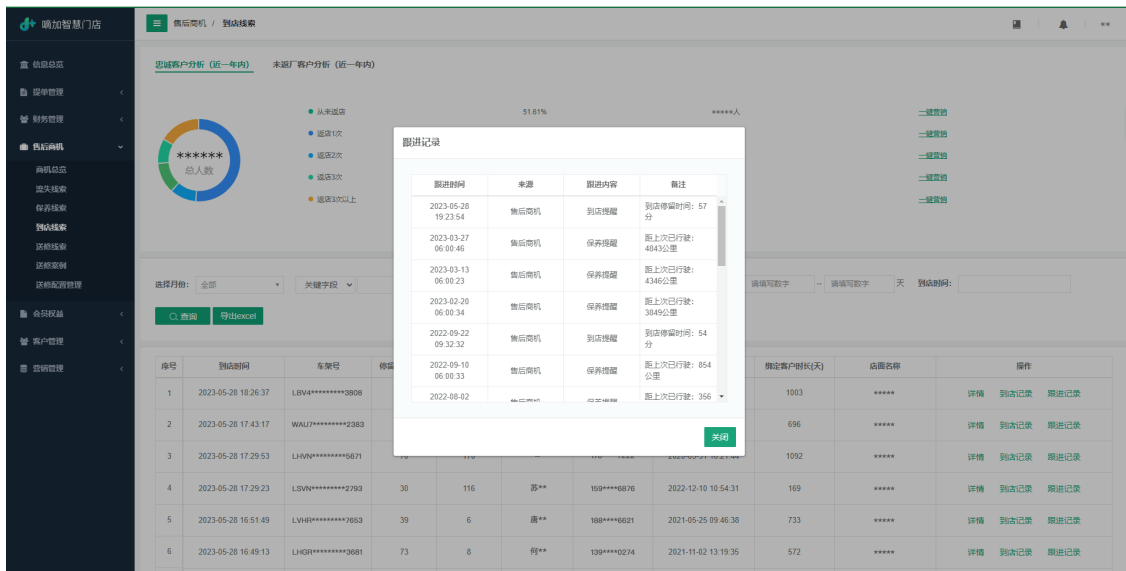
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(iii) Leads services – enabling generation of sales leads

We have developed diversified leads services in our Dijia SaaS, including in-store leads, repair leads, and renewal leads. These leads can help our 4S store customers to gain more accurate and effective business opportunities.

(a) In-store leads

Based on information such as user’s mileage (user login or provided by in-vehicle hardware), consumption frequency and amount, last visiting hours and service items, and by leveraging algorithms such as our enhanced RFM model (a model which analyses the marketing value of a user base on different dimensions such as interval and frequency of reaching the 4S store and the amount spent), we help 4S store customers identify users in need of services such as maintenance, renewal, customer loss prevention solicitation efforts more accurately, and generate targeted and timely reminders to facilitate users to revisit the store for services. The following is a screenshot of the interface of our in-store leads service, which targets to improve car users’ return rate to 4S stores:



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(b) Repair leads

We can assess and determine whether a user has a suspected collision through the in-vehicle hardware sold to the car users in the 4S stores. In the event of a suspected collision, we assist our 4S store customers to confirm with car users whether there is a collision and whether timely road rescue and repair services are required, so as to help our 4S store customers better serve their car user customers. The following is a screenshot of the interface of our repair leads service:



Our 4S store customers can also generate roadside assistance codes (QR codes) through the Dijia SaaS and provide them to their car user customers. When a car user encounters a scratch or a collision, he/she can scan the roadside assistance code and contact our 4S store customers to receive repair service in a timely manner.

(c) Insurance renewal leads

Based on various variables such as user mileage (entered by users or provided by in-vehicle hardware) and our proprietary algorithms, our Dijia SaaS assist 4S stores customers in selecting high quality customers for auto insurance renewal, obtaining more repair information and reducing insurance claim.

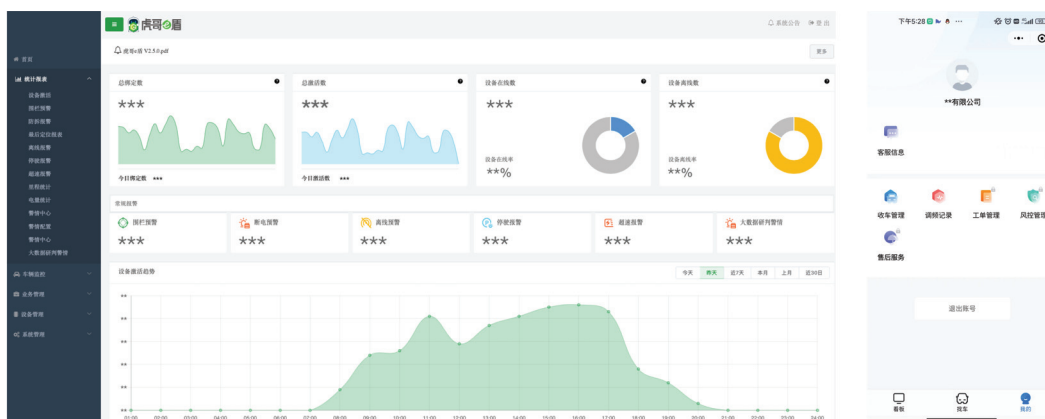
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HuGe e-Shield SaaS

Financial leasing has developed into an important way for consumers to satisfy their needs for travelling services. The security management of vehicle assets is of great importance to automotive finance and leasing companies during their provision of auto services to consumers.

Based on the needs of automotive finance and leasing companies for asset safety supervision, we developed our HuGe e-Shield SaaS to provide our automotive financing and leasing company customers with vehicle asset management services such as in-loan monitoring and post-loan vehicle management to help customers achieve effective supervision over their vehicle assets, increase vehicle recovery rate, and mitigate economic losses.

The following is the screenshot of our HuGe e-Shield SaaS interface:



The services provided by our HuGe e-Shield SaaS mainly include:

- Vehicle risk control warning leads services, such as location tracking, anti-tamper warning, anti-theft alarm, stop warning, offline warning and speeding alarm, which conduct calculation in the system based on the leads data reported by in-vehicle devices, provide accurate information of leads analysis (e.g. different types of warnings or alarms) and guide our automotive financing and leasing company customers to deal with the vehicle risk.
- Vehicle classification services which classify vehicles under management into different levels of risk (from level I to level V) based on the status of the in-vehicle devices attached to the vehicle and the historical driving behaviour and trajectory of the vehicle, and the lower the level, the higher the risk, which allows customers to deploy manpower to focus on vehicles with higher risk levels to reduce operating costs.

Our HuGe e-Shield SaaS customers provide the vehicle data of car users to us through the API system and we collect the vehicle position data through the HuGe e-Shield device installed in the vehicles of car users. We are able to digitalise the vehicle

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asset management process of automotive aftermarket customers through import of data into HuGe e-Shield system in the following manner: The work order of our financing and leasing company customers will upload the corresponding car user information and vehicle information to HuGe e-Shield system through API system after generating the order. HuGe e-Shield system will arrange technicians to install and activate the equipment on-line after receiving the information and upload the corresponding equipment installation information to the work order system of our financing and leasing company customers. Our automotive financing and leasing company customers can then supervise the vehicles of the car users they serve through the mini programme supplied by us. During the Track Record Period, we cooperated with over 400 automotive financing and leasing companies to provide our SaaS management services.

Fee model of our SaaS subscription services

During the Track Record Period, our Dijia SaaS and HuGe e-Shield SaaS subscription fees were charged on the basis of the actual number of enrolled and activated car users. For our Dijia SaaS, when our 4S store customer sells devices or services to the car user, the 4S store customer synchronously uploads the information of car user’s vehicle, information of the device or the service package to our Dijia SaaS system (i.e. “enrollment”), and Dijia SaaS system activates the corresponding services of Dijia SaaS to the 4S store customer when it receives the enrollment information uploaded by the 4S store customer (i.e. “activation”). For our HuGe e-Shield SaaS, before delivering the vehicle to the car user, our automotive financing and leasing company customer synchronously uploads the vehicle information to our HuGe e-Shield system (i.e. “enrollment”), and HuGe e-Shield SaaS system activates the corresponding services of HuGe e-Shield SaaS to the automotive financing and leasing company customer when it receives uploaded the enrollment information (i.e. “activation”).

The table below sets forth the ranges of the annual subscription fees per enrolled and activated car user that we charge for our customers under Dijia SaaS and HuGe e-Shield SaaS during the Track Record Period.

	Annual subscription fee range per enrolled and activated car user (RMB)
Dijia SaaS ^(Note)	
Dijia SaaS system + Leads services	100 – 290
Dijia SaaS system + Member benefits services	124 – 332
HuGe e-Shield SaaS	
HuGe e-Shield SaaS system and services	230 – 332

Note: We generally charged our customers for leads services and/or member benefits services on the basis of actual number of car users who use a particular type of service, but we do not generally charge annual subscription fees for access to the system or other functions of Dijia SaaS.

BUSINESS

For our Dijia SaaS, our subscription fee charges are based on the subscribed packages of leads services and/or member benefits services, and our pricing strategy would be primarily based on (i) composition of our product and service packages: For leads services that work in conjunction with required in-vehicle hardware, we varied the pricing depending on the type and specifications of the in-vehicle hardware; and for member benefits services, we varied our pricing depending on the types of benefits included in the benefits package, i.e. single benefit versus combined benefits; (ii) duration of service: the duration of service for our subscription-based Dijia SaaS is typically one or three years, and we varied our pricing depending on the duration of subscription; and (iii) our sales model: we differentiated our pricing for direct sales and sales through channel partners by taking into account the different cost components for different sales channels. For example, under the direct sales model, some of our customers require us to provide services such as installation of in-vehicle hardware, and such installation maybe done by our channel partners when we sell these subscriptions through them would not be required for sales through our channel partners.

For our HuGe e-Shield SaaS, our pricing strategy was primarily based on (i) our product specifications: we varied our pricing depending on the specifications of the in-vehicle hardware; (ii) duration of service: the duration for our HuGe e-Shield SaaS was typically one or three years, and our pricing varied depending on the duration of subscription; and (iii) service content: for example, some of our financing and leasing company customers required us to provide additional services such as in-vehicle hardware installation, for which we would levy additional charges.

In addition to the above factors, our pricings for Dijia SaaS and HuGe e-Shield SaaS have also taken into account the market price and a reasonable profit mark-up. The actual price was determined through commercial negotiation with the specific customers. For further details, see “Sales and Marketing—Pricing Policy”.

SaaS value-added services

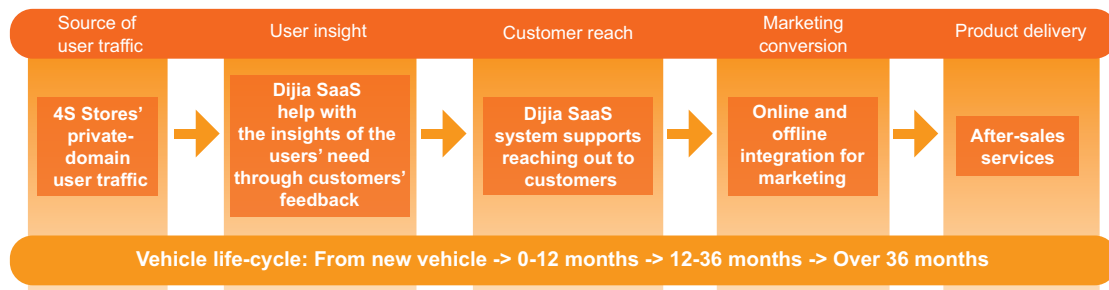
Leveraging on our SaaS subscription services offered to our 4S store customers, we commenced to offer SaaS value-added services to our 4S store customers in March 2021.

Through our customer’s feedback, we are aware of there being many unmet needs of car users within the full vehicle life-cycle under the traditional business model of 4S stores, such as new car owners’ needs for auto decoration products and services, and the needs of car users who no longer have interactions with 4S stores on their needs for auto insurance renewal.

BUSINESS

In view of the above, we provided car users with auto decoration products and services through the user traffic provided by our 4S store customers during the Track Record Period. At the same time, through the Dijia SaaS, we provide our 4S store customers with online and offline integrated marketing services with user insights through customers' feedback, business scenario discovery and product selection services that meet the individual needs of car users. We help our 4S store customers accurately match user tags, recognise prospective car users through online content recommendation and live streaming activities, and introduce online leads to offline conversion of transaction services. We are also continuously expanding our SaaS value-added services to different business scenarios to meet the evolving needs of our 4S store customers and car user customers. 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. We generated revenue of RMB3.7 million from such business scenario for the year ended 31 December 2023.

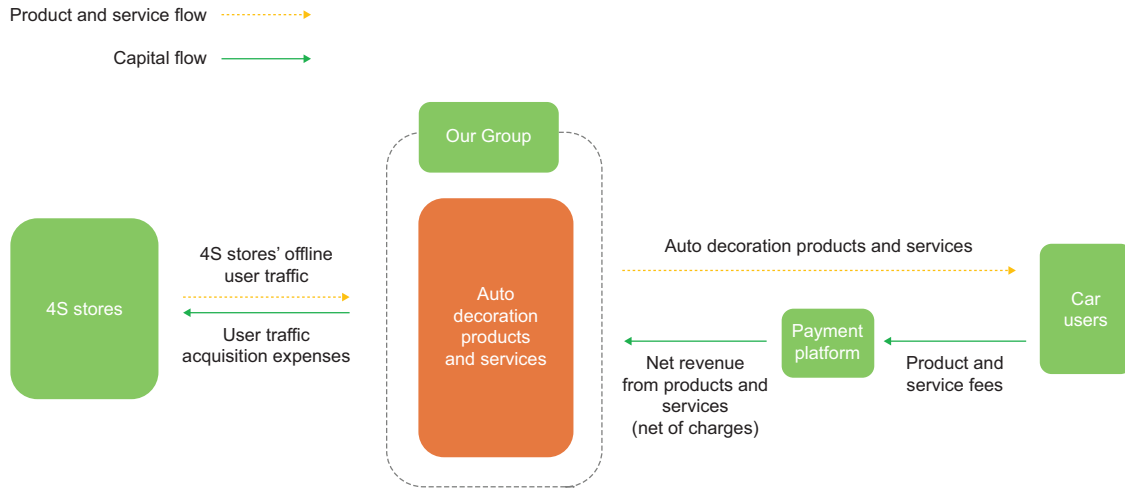
As such, our SaaS value-added services would not only meet the needs of car users, but also help our 4S store customers enter into new transactions and increase their revenue, and helping them with achieving high user stickiness through SaaS subscription services and achieving success in SaaS value-added services. The following chart shows how the SaaS marketing services can help 4S store customers cover the value process of the full vehicle life-cycle:



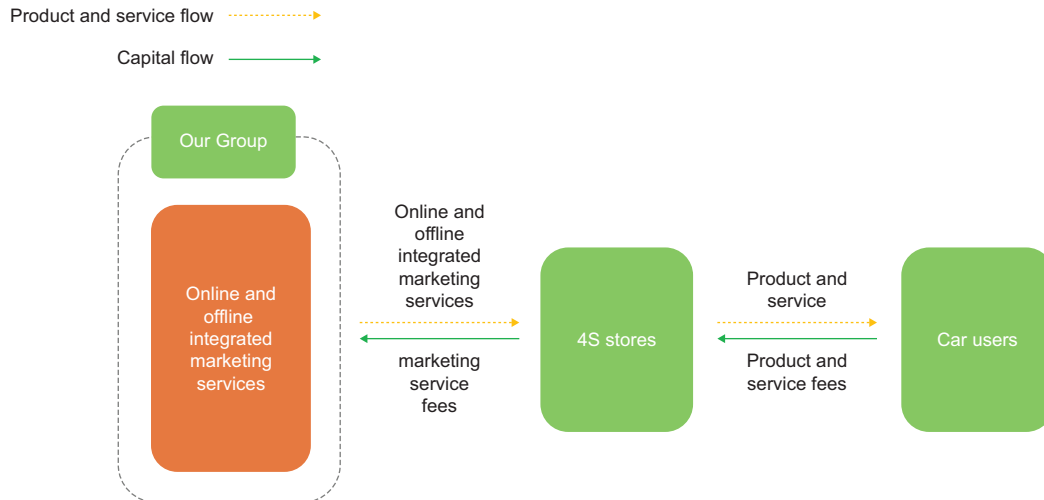
We receive fees from car users through providing auto decoration products and services, and then we pay user traffic acquisition fees to our 4S store customers for user traffic from their private domain. We also receive fees from our 4S store customers for providing them with online and offline integrated marketing services. During the Track Record Period, the fees for auto decoration products and services typically ranged from RMB1,000 to RMB4,000. The fees for online and offline integrated marketing services we provided to our 4S store customers typically ranged from RMB160 to RMB230 per transaction in the marketing campaigns and the fees we received for online and offline integrated marketing services we provided to NEV 4S store customers typically ranged from approximately RMB4,300 to RMB11,000 during the Track Record Period.

BUSINESS

The following diagram shows the business flow of our auto decoration products and services under our SaaS value-added services of SaaS marketing and management services during the Track Record Period:



The following diagram shows the business flow of our online and offline integrated marketing services under SaaS value-added services of SaaS marketing and management services during the Track Record Period:



BUSINESS

The table below sets out our main operating metrics of our SaaS value-added services during the Track Record Period:

	For the year ended 31 December		
	2021	2022	2023
Number of active 4S store customers of SaaS value-added services ⁽¹⁾	112	667	1,429
Revenue for SaaS value-added services (RMB'000)	9,314	110,918	199,946
Gross profit for SaaS value-added services (RMB'000)	6,678	87,154	159,794
Revenue per 4S store customer for SaaS value-added services ⁽²⁾ (RMB'000)	83	166	140
Gross profit per 4S store customer for SaaS value-added services ⁽³⁾ (RMB'000)	60	131	112
Gross profit margin of SaaS value-added services ⁽⁴⁾	71.7%	78.6%	79.9%

Notes:

- (1) Number of active 4S store customers of SaaS value-added services represents the number of 4S store customers we provided SaaS value-added services to during the relevant year.
- (2) Revenue per 4S store customer for SaaS value-added services is calculated based on revenue from 4S store customers for SaaS value-added services divided by the number of active 4S store customers of SaaS value-added services of the relevant year.
- (3) Gross profit per 4S store customer for SaaS value-added services is calculated based on gross profit from 4S store customers for SaaS value-added services divided by the number of active 4S store customers of SaaS value-added services of the relevant year.
- (4) Gross profit margin of SaaS value-added services is calculated based on gross profit for SaaS value-added services of the relevant year divided by the revenue for SaaS value-added services for the year and multiplied by 100%.

The following table sets out a breakdown of revenue of SaaS value-added services by nature during the Track Record Period:

	FY2021		FY2022		FY2023	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%
Auto decoration products and services	9,314	100.0	101,840	91.8	176,827	88.4
Online and offline integrated marketing services	–	0.0	9,078	8.2	23,119	11.6
Total	9,314	100.0	110,918	100.0	199,946	100.0

BUSINESS

During the Track Record Period, our SaaS value-added services were mainly auto decoration products provided to car users such as car solar film, body paint protective film and car interior ambient lighting products and related installation services, and online and offline integrated marketing services offered to our 4S store customers through our Dijia SaaS. Our online and offline integrated marketing services to our 4S store customers include the implementation of various online and offline integrated marketing conversion operation services such as helping 4S store customers with creating marketing content such as group purchasing, product recommendations, live streaming, offline display of products, offline experience marketing, so as to help our 4S store customers accurately match user tags with car users for marketing activities and realise the conversion of private-domain user traffic into actual transactions. When our offline marketing staff receive the order from the car users, we will arrange technicians to carry out the offline installation of auto decoration products. We purchase auto decoration products from selected suppliers following our procurement policies of in-vehicle hardware products and raw materials.

Sales of e-cigarettes in 2021 and 2022

We had previously engaged in e-cigarette sales from May 2021 to December 2022, but such sales had ceased after December 2022. Our total revenue from such sales amounted to approximately RMB250,000, comprising approximately RMB171,300 generated in FY2021 and RMB79,400 generated in FY2022, accounted for approximately 0.05% and 0.02% of our total revenue in FY2021 and FY2022, respectively.

According to applicable PRC laws and regulations, including the Notice on Strengthening the Supervision of Electronic Cigarettes issued by the State Tobacco Monopoly Administration, entities were granted a grace period until 30 September 2022 to engage in the sales of e-cigarettes without a license, and from 1 October 2022, entities were required to obtain the requisite license to continue the sale of e-cigarettes. In light of such regulatory requirements, we initiated the reduction of e-cigarette sales, and completely ceased such activities by December 2022. From October 2022 to December 2022, we sold the e-cigarettes internally to our employees at cost for private consumption with a view to consume the remaining inventory and minimise the loss arising from disposing the inventory of e-cigarettes with the revenue in the amount of approximately RMB5,000.

As at the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to the aforementioned e-cigarette sales activities. We have ceased e-cigarette sales and have no plans to relaunch such businesses as at the Latest Practicable Date.

BUSINESS

Set out below is an example of a group purchasing campaign offered on our online and offline integrated marketing services:



- (i) We provide selected products for 4S store customers through Dijia SaaS
- (ii) We produce marketing content, and stores reach out to car owners through Dijia SaaS for marketing content push
- (iii) Car users receive links and place an order online
- (iv) Car users visit the store to settle the payment and accept the delivery of products
- (v) The 4S store reviews marketing effect and transaction details through Dijia SaaS
- (vi) The 4S store can apply for another activities under other categories through Dijia SaaS

Set out below is an example of our process in providing auto decoration products and services and online and offline integrated marketing services:

- (i) 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;
- (ii) we design targeted marketing strategies and produce specialised marketing content such as graphics/videos/live streaming for flash sale, group purchase and other activities;
- (iii) the 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;
- (iv) after the car users visit our customers' 4S stores, we facilitate the transaction through offline marketing, and deliver our auto decoration products and services directly to these car user customers of our 4S store customers; and
- (v) our 4S store customers can review marketing effect and transaction results on our Dijia SaaS.

BUSINESS

For the year ended 31 December 2021, 2022 and 2023, we provided SaaS value-added services to 112, 667 and 1,429 4S stores, respectively.

Fee model of our SaaS value-added services

Our SaaS value-added online and offline integrated marketing services generate revenue by helping our 4S store customers enter into new business transaction with car users and charging marketing fee for each transaction. We use our SaaS system to track the entire order process, an order is generated in the system when the car user pays a deposit, and the order status will be changed to completed after the product or service is delivered to the car user and the car user completes payment. Based on the number of orders with the completed status, we reconcile and settle with our 4S store customers on the basis of the marketing service fee quoted in each contract. During the Track Record Period, the fees for online and offline integrated marketing services we provided to our 4S store customers typically ranged from RMB160 to RMB230 per transaction in the marketing campaigns and the fees we received for online and offline integrated marketing services we provided to NEV 4S store customers typically ranged from approximately RMB4,300 to RMB11,000 per transaction.

OUR BUSINESS PROCESS

Sales of in-vehicle hardware products

The below chart illustrates a typical workflow of our sales of in-vehicle hardware products:



(1) *Business identification*

From the perspective of customer development, we obtain customer resources through various channels such as industry exhibitions, site visits, online promotion and the development of, potential provincial and regional channel partners. Our marketing team will follow up on customer leads generated by the various channels mentioned above. Upon receipt of the customer’s demand, we will evaluate the corresponding product specifications and requirements, and determine the cooperation relationship with the customer through business negotiation.

BUSINESS

(2) Design and development

For in-vehicle hardware products, upon customers such as 4S store customers accepting our quotations, we will continue to agree on other transaction terms with customers and enter into supply contracts.

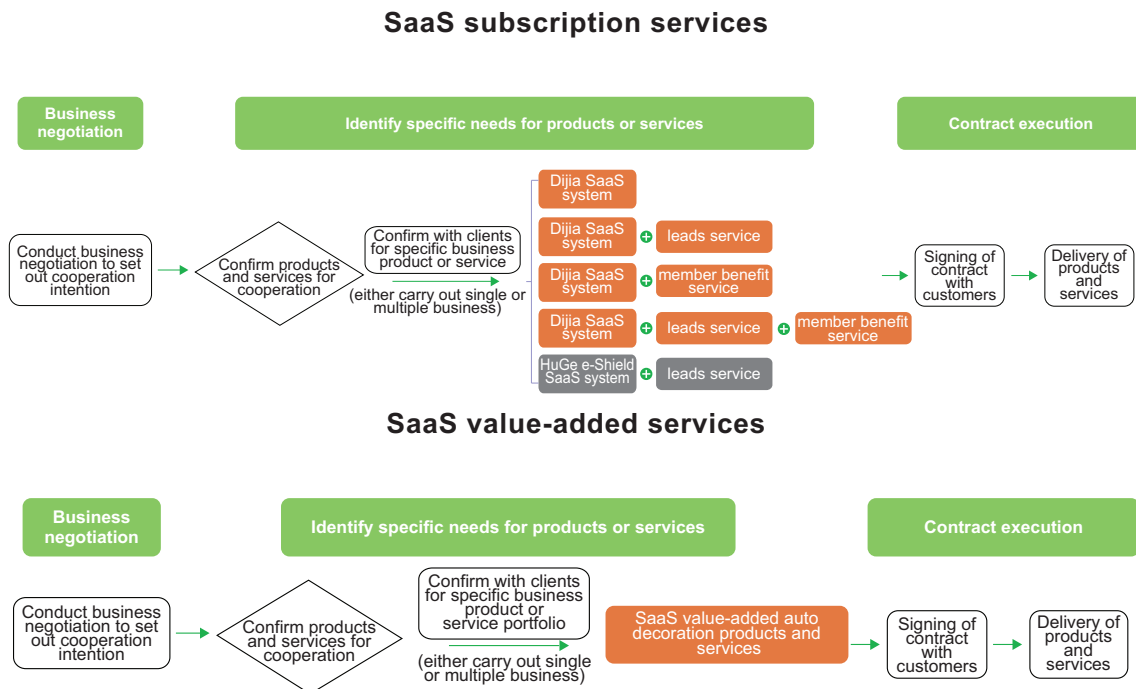
For core board products, our research and development team will first confirm with the supplier the PCB board and the public OS system required for the production of core boards, and then embed the SDK embedded software package we developed into the public OS system to realise our digital link capabilities, and finally deliver it to customers such as in-vehicle device OBMs after integration testing.

(3) Contract execution

If our customers place a purchase order with us, our business and supply chain team will review order details, and make delivery from our inventory based on existing inventory level or placing an order with our suppliers for post-production delivery, and perform corresponding after-sales service.

SaaS marketing and management services

The below diagram shows a typical workflow of how we provide our SaaS subscription services and SaaS value-added services to our customers.



BUSINESS

(1) *Business negotiation*

We acquire customer resources through industry exhibitions, site visits, online promotions and brand promotions, and we manage the intentions of business cooperation in SaaS marketing and management through business negotiations and other means.

(2) *Identify specific needs for products or services*

After in-depth communication with potential customers, we understand the specific needs of clients in SaaS marketing and management business, and recommend different product and service combinations according to various factors such as vehicle life-cycle, brands of cars, size of the existing car user base, and conduct final confirmation with customers.

(3) *Signing and execution of contracts*

After confirming the specific product and service portfolio with the customers, both parties sign the contract and agree on transaction terms, and we begin to deliver products and services to customers and provide after-sales service commitment.

SALES AND MARKETING

Sales channels

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 products through our channel partners. The following table sets out a breakdown of revenue by sales channel during the Track Record Period:

	FY2021		FY2022		FY2023	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%
Direct sales	248,165	75.9	323,256	78.1	443,764	79.1
Sales through channel partner	78,609	24.1	90,604	21.9	116,805	20.9
Total	326,774	100.0	413,860	100.0	560,569	100.0

BUSINESS

During the Track Record Period, our sales and marketing team was responsible for both managing our direct sales effort and our channel partners. As at the Latest Practicable Date, our sales and marketing team consisted of 61 members. We also strategically placed certain of our sales team at the locations close to our key customers to enable them to respond promptly to customers' requests and enquiries.

Direct sales

Our sales and marketing team is responsible for following up with the qualifying sales leads through initial telephone contact, followed by marketing visits by our sales staff to customers (who are primarily 4S stores) at their business locations. Through understanding our customers' demands, our sales and marketing staff endeavour to provide products and services for our customers that best suit their needs and their conditions. We provide both our in-vehicle hardware products and SaaS marketing and management services through direct sales.

We typically enter into a master agreement with our 4S store customers and they then order our products and services from us by issuing purchase orders. The table below sets out typical terms of master agreement with our 4S store customers.

Duration and termination of services	:	The contract term is generally one year and either party has the right to terminate the contract with the other party with a notice period of 30 days.
Payment	:	The product and service fees for the previous month shall be settled on a monthly basis.
Credit terms	:	Generally 90 days.
Product warranty	:	The warranty period is generally three years from the date of our 4S store customer selling the product to their car user customer.
Dispute resolutions	:	The contract shall be governed by the PRC laws. Any disputes between our Group and the customer shall first be resolved through negotiations. Failure of which, the parties may resort to litigation proceedings.

BUSINESS

Sales to channel partners

Channel Partners distributing our in-vehicle hardware and SaaS products and services

During the Track Record Period, our channel partners, which are mainly trading companies, directly purchased in-vehicle hardware and Dijia SaaS from us for the purpose of reselling them to 4S store customers. The relationship between us and our channel partners is a seller-buyer relationship. We regard our channel partners as direct buyers of our in-vehicle hardware and SaaS products and services. Under this business model, we recognise revenues generated from sales of in-vehicle hardware and Dijia SaaS to our channel partners at the amounts billed to such channel partners.

The revenue derived from our sales to our channel partners represented approximately 20% of our total revenue for each year during the Track Record Period. Some of our channel partners were also our top five customers during the Track Record Period including Customer D, Customer E, Customer F and Customer H. The revenue derived from Customer D, Customer E, Customer F and Customer H in aggregate represented 6.3%, 6.0% and 6.0% of our total revenue within each year during the Track Record Period, respectively.

Management of our channel partners

We select channel partners with proven track records in the automotive aftermarket industry. We stringently evaluate their industry credentials and background, marketing capability and financial condition. We generally enter into standard sales agreements with our channel partners. The table below sets out typical terms of agreements that we enter into with our channel partners:

Type of products/services involved	:	In-vehicle hardware and Dijia SaaS
Marketing arrangement	:	From time to time, we provide guidance, demonstrations and trainings to channel partners and their end customers regarding functionalities of products and services, technology, after sales, marketing promotion and process system each month. We may provide marketing materials and customised regional promotion proposals to support the sales activity of channel partners and assist them in the promotion of our in-vehicle hardware and Dijia SaaS.

BUSINESS

Ownership of products/services	:	Channel partner
Minimum purchase requirements	:	We do not set any minimum purchase requirements or sales targets for our channel partners.
Onward sales restriction and selling prices requirements	:	We do not restrict our channel partners to onward sell our products, and we do not mandate any prices for sales or onward sales by our channel partners.
Return policy and warranty policy	:	We generally do not accept product returns or exchanges. Our warranty period generally lasts no more than 15 months from the date of product delivery. If the products are shown to be defective within the warranty period, we may agree with our channel partner to accept warranty returns. Such return policy and warranty policy are in line with the industry norm, according to the CIC Report.
Revenue Recognition Policy	:	Revenue is recognised when our products are sold to our channel partners. We generally grant a credit term of three months to six months to our channel partners.
Renewal of partnership arrangement	:	Term and duration generally ranges from one year to two years. If no termination is requested by both parties, some contracts are automatically renewed for one year.

The following table sets out the number of channel partners and its movement during the Track Record Period:

	As at 31 December		
	2021	2022	2023
At the beginning of the year	163	179	205
Addition during the year	41	49	71
Termination during the year ^(Note)	25	23	47
At the end of the year	179	205	229

Note: We consider the business relationship with a channel partner to be terminated when such channel partner does not contribute any revenue in a given year. Termination with channel partners engaged by us during the Track Record Period was mainly due to expiration of contracts or with no transactions incurred in the relevant financial year.

BUSINESS

Selling our products through our channel partners' established distribution network is an effective way to market our brand, expand the geographical reach of our sales network, and promote our products and services to our target customers, which are 4S stores who may have demand for our services. Channel partners approach 4S stores by leveraging their industry expertise and relationship with 4S stores within different areas of China due to their geographic proximity and their familiarity with the local markets, as well as closer local customer relationship connections. According to the CIC Report, it is an industry norm to sell in-vehicle hardware and SaaS products and services through channel partners in the automotive aftermarket industry in China.

Relationship with our channel partners

As at 31 December 2023, the average length of our business relationships with our top five channel partners was over four years. We do not have exclusive arrangements with our channel partners and the prices that we offer to our channel partners are generally no less favourable than those we offer to our direct customers within the same region. To the best knowledge of our Directors, all of our channel partners during the Track Record Period were Independent Third Parties, and based on our Directors' knowledge, none of our current employees or our past employees held a majority interest in any of our channel partners during the Track Record Period. To the best knowledge of our Directors, none of our Directors, shareholders, senior management or employees of the Company and its subsidiaries are interested in, or otherwise control, any of the channel partners or has any relationships including employment, financing, and family relationship with them.

As at the Latest Practicable Date, we had ten regional managers (大區經理) who were mainly responsible for managing the relationships and cooperations with our channel partners and developing new and suitable channel partners. Our channel partners generally operate their businesses by province on a non-exclusive basis and they generally operate their businesses within various cities in the province. Our channel partners are required to obtain authorisation from us to promote our products. During the Track Record Period, the relationships between our Group and our channel partners were that of seller and buyer, and also taking into account that there has been no material product returns during the Track Record Period, therefore we did not put in place specific inventory control and management policies in conducting sales to our channel partners, and we have not put in place policies to actively monitor the inventory levels of our channel partners. Our day-to-day management of channel partners mainly focuses on monitoring the sales of products in the regions such as product quality feedback, selling price to optimise our quality control management and cost management, and also focuses on the settlement and repayment of our channel partners and to take measures to manage shipment and payment for the channel partners with overdue settlements to monitor any irregularity on channel partner performance. We generally reconcile and settle our accounts with our channel partners on an order basis, with unsold inventory products attributable to the channel partners. The inventory risk of the products is transferred to our channel partners after we deliver the products to them.

BUSINESS

Except for the quality issues that required us to undertake after-sales obligations that may involve product return and replacement, during the Track Record Period and up to the Latest Practicable Date, there were no material product returns from the channel partners due to circumstances such as slow-moving products or storage damage.

We will generally provide the list of customers under cooperation to our channel partners. In principle, our channel partners are not allowed to carry out business cooperation with the 4S stores we are cooperating with and they are also generally unable to participate in the competition as they are generally requested to provide the authorisation of the products from us when participating in the bidding for the 4S stores customers. As the Company is not aware of any instances of our channel partners competing with us for the same customers or with one another within the same geographical regions, we therefore do not put in place specific policies to avoid cannibalisation based on the market size of the automotive market industry and also that the market for the automotive aftermarket industry in China is relatively fragmented. Except for credit terms on payment in accordance with the terms of their agreements, we did not provide financing to our channel partners to acquire our products and services. During the Track Record Period, there were no material product returns from our channel partners, and there has been no material disputes with our channel partners, nor are we aware of any material non-compliance with laws or regulations by our channel partners that had any adverse impact on our business during the Track Record Period.

Pricing policy

We determine the sales price of our products or services based on the content of the products or services provided and various factors such as customer type, product cost and market price level, and on the basis of ensuring a reasonable profit level.

For our sales of in-vehicle hardware products business, we determine the sales price primarily based on our costs and market prices while taking into account factors such as product specifications, marketing cost and order volume. We do not charge car users for the use of our software that is installed or embedded into the in-vehicle hardware products that we sell.

For our SaaS subscription services, we charge our 4S store customers and channel partners for leads services and/or member benefits services of our Dijia SaaS on the basis of actual number of car users who use a particular type of service. We receive subscription fees from our automotive financing and leasing company customers for HuGe e-Shield SaaS on the basis of the number of car users enrolled with our HuGe e-Shield SaaS. The subscription term is usually one year or three years with an option to renew. The subscription fee mainly depends on the type of functional modules subscribed by the customer, the number of users and taking into account factors such as market price and our reasonable profit level.

BUSINESS

For our SaaS value-added services, we receive product and service fees from car users through providing auto decoration products and services to them. We also receive marketing service fees for helping our customers to achieve new business transactions. Our pricing strategy takes into account factors such as the operating cost (i.e. online and offline marketing and operating personnel costs), vehicle models and brands (classified by domestic, joint venture and luxury models and brands), city attributes (classified by first-tier, second-tier and third-tier cities) and the gross profit level of our customer.

We have formulated a product pricing management plan, established standardised product pricing principles and procedures, and realised the standardisation of price approval process. We require our business departments to review product pricing plans and implement them after the internal approval process in order to provide a reasonable and prudent assessment on the profit level for our products and services.

Seasonality

We experience seasonal fluctuations in our revenues and results of operations. We have historically experienced relatively lower revenue during the first quarter of a year mainly due to Chinese Lunar New Year, and relatively higher revenue in the fourth quarter of a calendar year mainly due to increasing spending or purchases by our customers for our SaaS and SaaS value-added products and services as a result of a high concentration of festive seasons and other marketing campaigns. Overall, the impact of seasonality on our business has been relatively mild due to our rapid growth. The seasonal trends we have experienced in the past may not apply to, or be indicative of, our future operating results. Please refer to “Risk Factors—Our operating results are subject to seasonal fluctuations” for further details.

Branding and marketing

During the Track Record Period, we have been putting effort in enhancing visibility in the industry and to promote our brands, Dijia 滴滴, Guanglian Saixun 广联赛讯 and Didihu 嘀嗒虎.

During the Track Record Period, our effort to enhance our brands was conducted primary through participating in events conducted by automobile-related industry associations, referrals from our existing customers, visits by our sales and marketing staff to potential customers, and participating in exhibitions and trade fairs. During the Track Record Period, we have participated in a number of exhibitions and trade fairs in gaining exposure for our brand, showing our in-vehicle hardware product and SaaS product offerings, promoting to the market about the advantages to the digitalisation of automobile aftermarket services, and generating interest in our products/services from potential customers. Leads generated through these activities are followed-up by our sales and marketing team.

BUSINESS

Our marketing and branding efforts include the following:

- *Participating in relevant industry associations.* During the Track Record Period, we were members of various industry associations, such as the Guangdong Internet of Vehicles Industry Alliance (廣東省車聯網產業聯盟), the Automotive Aftermarket Professional Committee of the China Auto Dealers Chamber of Commerce (中華全國工商業聯合會汽車經銷商商會汽車後市場專業委員會) and the Shenzhen High-tech Industry Association (深圳市高新技術產業協會).
- *Engaging in online marketing.* We have established various online marketing platforms and tools to promote our products and services, with relevant online platforms including our official website, WeCom corporate business card mini program, Dijia official account (嘀加公眾號), Dijia video account (嘀加視頻號) and Dijia WeCom (嘀加企業微信). We use WeCom corporate business cards as the carrier of content, live streaming of video account as a means of online communication, and WeCom as a portal to reach customers on a continuous basis. We upload the highlights of our business and system, case example videos, cooperation methods, and adapted products to the WeCom corporate business card of our employees; and we use live streaming of video account to search for prospective customers, and add potential customers through WeCom to follow up and push different value-oriented contents according to the customer’s life-cycle (understanding, experience, transaction), and ultimately realising sales transaction with our potential customers.
- *Attending executive events, trade shows and industry events.* During the Track Record Period, we attended various key-note events, trade shows and industry events for the automotive aftermarket industry such as Shenzhen International Smart Mobility, Auto Modification and Aftermarket Service Ecosystems Expo (深圳國際智慧出行、汽車改裝及汽車服務業生態博覽會), China (Guangdong) International Car Networking Conference (中國(廣東)國際車聯會大會) and China (Dawan District) Car Networking Conference (中國(大灣區)車聯網大會).

Our customers

Our customers for sales of in-vehicle hardware products and provision of SaaS marketing and management services during the Track Record Period mainly included 4S stores, channel partners, automotive financing and leasing companies and in-vehicle device OBMs.

BUSINESS

Our five largest customers

During each year of the Track Record Period, our five largest customers accounted for approximately 52.7%, 38.6% and 33.3% of our total revenue, respectively. During the same periods, our largest customer accounted for approximately 31.6%, 21.8% and 19.0% of our total revenue, respectively.

The following table sets out the details of our five largest customers for each year during the Track Record Period:

For the year ended 31 December 2021

Rank	Customer	Year of commencement of business relationship	Principal product sold/service provided	Approximately amount of revenue RMB'000	Approximately percentage of our total revenue %	Credit term(s)	Settlement method(s)
1 . . .	Customer A ⁽¹⁾	2012	Sales of in-vehicle hardware products and SaaS marketing and management services	103,275	31.6	90 days	Bank transfer
2 . . .	Customer B ⁽²⁾	2020	Sales of in-vehicle hardware products and SaaS marketing and management services	29,708	9.1	120 days	Bank transfer
3 . . .	Customer C ⁽³⁾	2020	Sales of in-vehicle hardware products	18,712	5.7	90 days	Bank transfer
4 . . .	Customer D ⁽⁴⁾	2017	Sales of in-vehicle hardware products and SaaS marketing and management services	10,624	3.3	90 days	Bank transfer
5 . . .	Customer E ⁽⁵⁾	2017	Sales of in-vehicle hardware products and SaaS marketing and management services	9,702	3.0	90 days	Bank transfer
				172,021	52.7		

BUSINESS

For the year ended 31 December 2022

Rank	Customer	Year of commencement of business relationship	Principal product sold/service provided	Approximately amount of revenue RMB'000	Approximately percentage of our total revenue %	Credit term(s)	Settlement method(s)
1 . . .	Customer A	2012	Sales of in-vehicle hardware products and SaaS marketing and management services	90,244	21.8	90 days	Bank transfer
2 . . .	Customer B	2020	Sales of in-vehicle hardware products and SaaS marketing and management services	26,252	6.3	120 days	Bank transfer
3 . . .	Customer C	2020	Sales of in-vehicle hardware products	22,527	5.4	90 days	Bank transfer
4 . . .	Customer D	2017	Sales of in-vehicle hardware products and SaaS marketing and management services	10,590	2.6	90 days	Bank transfer
5 . . .	Customer F ⁽⁶⁾	2022	Sales of in-vehicle hardware products and SaaS marketing and management services	10,316	2.5	90 days	Bank transfer
				159,929	38.6		

BUSINESS

For the year ended 31 December 2023

Rank	Customer	Year of commencement of business relationship	Principal product sold/service provided	Approximately amount of revenue	Approximately percentage of our total revenue	Credit term(s)	Settlement method(s)
				RMB'000	%		
1 . . .	Customer A	2012	Sales of in-vehicle hardware products and SaaS marketing and management services	106,540	19.0	90 days	Bank transfer
2 . . .	Customer B	2020	Sales of in-vehicle hardware products and SaaS marketing and management services	30,579	5.5	120 days	Bank transfer
3 . . .	Customer C	2020	Sales of in-vehicle hardware products	19,862	3.5	90 days	Bank transfer
4 . . .	Customer G ⁽⁷⁾	2020	Sales of in-vehicle hardware products	15,123	2.7	90 days	Bank transfer
5 . . .	Customer H ⁽⁸⁾	2022	Sales of in-vehicle hardware products and SaaS marketing and management services	14,692	2.6	90 days	Bank transfer
				186,796	33.3		

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Notes:

- (1) Customer A is a company whose shares are listed on Shanghai Stock Exchange, mainly engaged in passenger car dealerships and services, auto parts retail, auto parts wholesale, sales of auto decorative products and auto leasing businesses in the PRC. It is a leading passenger car dealership and service group, one of the largest luxury passenger car dealership and service groups, one of the largest financial leasing providers among passenger car dealer and one of the largest second-hand car dealership and trading agency service groups in China.
- (2) Customer B is a privately-owned PRC company, which is located in Hangzhou city, Zhejiang province, mainly engaged in auto parts wholesale, manufacture of auto parts and accessories, manufacture of auto decorative products, sales of electronic products and wholesale of electronic components businesses in the PRC, with a registered capital size of RMB5.0 million as at the Latest Practicable Date.
- (3) Customer C is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in research and development and sales of in-vehicle hardware and devices in the PRC, with a registered capital size of RMB1.0 million as at the Latest Practicable Date.
- (4) Customer D is a privately-owned PRC company, which is located in Pingxiang city, Jiangxi province, mainly engaged in research and development and sales of technology-based products and sales of in-vehicle hardware and devices in the PRC, with a registered capital size of RMB5.0 million as at the Latest Practicable Date.
- (5) Customer E is a privately-owned PRC company, which is located in Nanjing city, Jiangsu province, mainly engaged in providing Internet technology services and information technology consulting services in the PRC, with a registered capital size of RMB10.0 million as at the Latest Practicable Date.
- (6) Customer F is a privately-owned PRC company, which is located in Chongqing municipality, mainly engaged in manufacturing of auto parts and auto decoration products and sales of NEV and sales of new automobiles in the PRC, with a registered capital size of RMB5.0 million as at the Latest Practicable Date.
- (7) Customer G is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in development and sale of automotive electronic products, LED lighting products, and technology development and sales of Smart home and electronic products in the PRC, with a registered capital size of RMB1.0 million as at the Latest Practicable Date.
- (8) Customer H is a privately-owned PRC company, which is located in Guangzhou, Guangdong province, mainly engaged in software development, information systems integration services, information technology consulting services and data processing storage services businesses in the PRC, with a registered capital size of RMB100 million as at the Latest Practicable Date.

As confirmed by our Directors, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date), has any interests in any of the five largest customers for each year during the Track Record Period. All of the above five largest customers are Independent Third Parties. None of our five largest customers were our suppliers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not have any material disputes with our customers or encounter any major claims of defective products.

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Backlog

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. Our Group generally do not compile backlog data for our sales of in-vehicle hardware products business line or the SaaS value added business line during the Track Record Period. This is because our Directors consider the compilation of such figures are not meaningful to the management as each of these business lines generally have orders being fulfilled within a very short period of time, which generally would be within one or two weeks of receipt of the relevant order for sales of in-vehicle hardware products and within one day of receipt of the relevant order for SaaS value-added services, respectively. As at 31 December 2023, we had over 4,000 orders in our backlog for our SaaS subscription services. Out of the amount not yet recognised of RMB69.5 million as at 31 December 2023, it is expected that approximately RMB47.6 million will be recognised for the year ending 31 December 2024 and approximately RMB21.9 million will be recognised after 31 December 2024.

Relationship with Customer A during the Track Record Period

During the Track Record Period, our revenue contributed by Customer A represented 31.6%, 21.8% and 19.0% of our total revenue, respectively. Nonetheless, our Directors consider that this will not constitute a significant risk to our Group due to the following reasons:

- *Customer A highly recognises our capabilities.* Customer A is a leading 4S dealer which has been listed on the Shanghai Stock Exchange since 2015 and operated over 700 4S stores throughout the PRC as at 31 December 2022. As advised by Customer A, as its major business focus is on the core business of 4S stores and have limited in-house technology infrastructure, data operation, dedicated research and development capacities, marketing tools and manufacturing resources, it would rely on third-party suppliers to provide products and relevant value-added solutions. We have commenced our business relationship with Customer A for over ten years, involving in the construction of this customer's digital system and operational capabilities comprehensively, providing comprehensive and industry-leading products and service for this customer in the areas such as in-vehicle hardware and services, leveraging the SaaS system to achieve efficient user reach and activation, and improving operational efficiency, so as to help this customer continuously improve its digital operation capabilities, enhance users stickiness, and continue to increase the output value of after-sales and value-added businesses. Customer A has highly recognised the value of our R&D capabilities, operational capabilities, service support capabilities. Customer A and us are continuing our in-depth cooperation, and both parties

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will continue to maintain synergy in the future wave of digital transformation and continue to achieve a win-win cooperation. Since the commencement of our business relationship with Customer A in 2012 and up to the Latest Practicable Date, there has not been any material disruption in the business relationship between us.

- *Our business development plan and focus.* We have been focusing on the provision of SaaS marketing and management services of higher gross profit margin. We are in the process to expand our value-added services based on our SaaS so that our product and service offerings are continuously expanding to catch a wider range of customers. Our Directors are of the view that our efforts in developing SaaS marketing and management services and novel types of SaaS value-added products and services will bring us more business opportunities and maintain the steady growth of business. During Track Record Period, Customer A's revenue contribution as a percentage of our total revenue has shown a decreasing trend as we expanded our customer base and increased our different revenue streams. Going forward, we aim to enhance our efforts to identify and establish business relationships with more customers that are independent from Customer A through enhancing our sales and marketing efforts and enhancing our brand, which we expect would allow us to further diversifying our customers base and revenue sources. As such, our Directors consider that revenue contribution from Customer A, as a percentage of our total revenues will gradually decrease as we implement our business development plan and focus.

SUPPLY CHAIN MANAGEMENT

Our suppliers

Our suppliers primarily include in-vehicle hardware product manufacturers ("**OEM suppliers**"), mobile communication operators, cloud service providers, warehouse management and installation service providers.

Outsourced production arrangement

During Track Record Period, we entered into various outsourcing arrangements with third-party OEM suppliers for production from certain components of in-vehicle hardware products and up to complete in-vehicle hardware products under OEM arrangements. Our OEM suppliers produce our products based on specifications and standards established by us. Through outsourcing the production and/or assembly of certain components of in-vehicle hardware products and in-vehicle hardware products, we believe we are able to avoid direct exposure to the risks and expenses associated with operating our own production facilities.

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We employ various evaluation and assessment criteria in selecting our OEM suppliers, including but not limited to industry experience and track record, expertise, product quality and quality control effectiveness, price, financial condition, qualification and certification production capacity and equipment and ability to meet our delivery timeline. In addition, all of our OEM suppliers are subject to an annual evaluation, which includes an assessment on their product quality, production costs and product delivery time. A OEM may be removed from our list of qualified suppliers if it has a poor assessment result or has quality problems for the same product twice in a row and fails to improve effectively after receiving our request to improve the quality.

As at 31 December 2023, we had maintained business relationships with our five largest OEM suppliers for more than three years. To the best knowledge of our Directors, all of the five largest OEM suppliers during the Track Record Period were Independent Third Parties.

We generally enter into master purchase agreements with our OEM suppliers and place purchase orders with them upon receipt of purchase orders from our customers. Our purchase orders are entered into with OEM suppliers on an order-by-order basis, which generally specify the name, quantity, price and delivery of the product that we wish to outsource our production to.

Our typical master purchase agreement contains details of procurement, delivery, indemnity, warranties, and quality requirements. Certain salient terms of our typical master purchase agreements with our OEM suppliers are set out below.

Term and duration	:	Generally three years.
Quality requirement	:	The goods supplied must meet the specification and quality standards required by us and the products must comply with the relevant applicable laws.
Quality control	:	We shall conduct quality inspections to the goods delivered by the OEM suppliers pursuant to the quality requirement. The OEM suppliers are generally required to replenish, replace or repair within an agreed period upon receiving our feedback.
Delivery details	:	Delivered by the OEM suppliers to our designated locations.

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Credit terms and payment method : Credit terms and payment method are subject to negotiation with OEM suppliers. For some of the OEM suppliers, a deposit of 30% is required to be paid by us before placing the orders.

Product warranty : Warranty period is agreed and subject to negotiation with some OEM suppliers, generally ranges from 12 months to 36 months from the date of quality acceptance.

Outsourced warehouse management and installation service arrangements

We generally engage service providers to provide warehouse management services including managing daily purchase orders, receiving and delivering products, managing inventory, etc. They may also provide us with installation services for our 4S store customers of specific regions. The service providers should strictly follow the relevant business processes that we prescribe.

Our SaaS marketing and management services business mainly serves our 4S store customers in various regions across the PRC, and involves a providing logistics services for goods, coordination for hardware installation, answering enquiries on our products and handling ad-hoc post-sales service requests, and our business places significant demands on initial response time, installation progress reporting, timeliness in dealing with service requests and coordination efforts among different parties. Such demands would require dedicated teams to effectively provide service to individual shops and car users. If we were to provide such services ourselves, we can only cover relatively close regions, such as southern China regions including Guangdong and Guangxi, while for relatively remote regions, such as southwestern China, Xinjiang and northern China, it is necessary to convene business, after-sales, technical and installation and other professional teams to connect with local stores to provide good services, which will incur significant cost. As a result, we need service providers to connect with local stores in various locations, and they can quickly respond to the needs of stores and car users due to their close proximity.

In addition, their services can cover local stores without being limited to serving one or two customers, and the price of such services can also be better controlled. Moreover, we have highly standardised service provider management manuals and service contracts, which can be used to manage orders corresponding to logistics services for goods, coordination for hardware installation, answering enquiries on our products and handling ad-hoc post-sales service requests. We have specialists to manage and analyse the inventory turnover status of external warehouses on a monthly basis, and timely adjust the order approval and delivery status for the next month based on the settlement and delivery data. We restrict or even impose penalties for excessive stock on a case-by-case basis, which enable us to closely monitor during the process of managing external warehouse inventory.

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Certain salient terms of our typical warehouse management and installation service contracts are set out below.

Duration	:	Generally one year
Payment	:	The service fees for the previous month shall be settled on a monthly basis
Credit terms	:	Generally ten days
Scope of authorisation	:	Service providers provide services within our designated authorised scope and authorised service area
Delivery	:	We are generally responsible for delivering the product to the location specified by the service provider
Risk transfer	:	The service provider is responsible for the custody of the product and we retain ownership of the product
Purchase/stock quantity	:	Service providers collect and collate product demands from 4S stores and place orders with us based on estimated demand, and we arrange shipments after assessing the stocking and sales conditions in their respective authorised areas

The service providers are required to report their stock demand plan every month with reference to the local market situation and check inventories and sales accounts. They should register and report the slow-moving and problem products and cooperate with each other on stock transfers. They are also responsible for the production and regular monthly reporting of the detailed sales account of receipt and delivery of products of 4S stores.

Our five largest suppliers

For each year during the Track Record Period, our five largest suppliers accounted for approximately 64.2%, 55.4% and 54.9% of our total purchase amounts, respectively. During the same periods, our largest supplier accounted for approximately 29.4%, 21.1% and 16.7% of our total purchase amounts, respectively.

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The following tables set out certain details of our five largest suppliers for each year during the Track Record Period.

For the year ended 31 December 2021

<u>Rank</u>	<u>Supplier</u>	<u>Year of commencement of business relationship</u>	<u>Principal product sold/service provided</u>	<u>Approximate amount of purchase</u> RMB'000	<u>Approximate percentage of our total purchase</u> %	<u>Credit term(s)</u>	<u>Settlement method(s)</u>
1	Supplier A ⁽¹⁾	2017	In-vehicle hardware product manufacturing	64,408	29.4	Delivery upon payment	Bank transfer
2	Supplier B ⁽²⁾	2019	In-vehicle hardware product manufacturing	38,352	17.5	180 days	Bank transfer, bank acceptance draft
3	Supplier C ⁽³⁾	2020	In-vehicle hardware product manufacturing	16,122	7.4	30 to 60 days	Bank transfer, bank acceptance draft
4	Supplier D ⁽⁴⁾	2019	In-vehicle hardware product manufacturing	14,641	6.7	180 days	Bank transfer, bank acceptance draft
5	Supplier E ⁽⁵⁾	2016	Warehousing and installation service	7,081	3.2	90 days	Bank transfer
				140,604	64.2		

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For the year ended 31 December 2022

Rank	Supplier	Year of commencement of business relationship	Principal product sold/service provided	Approximate amount of purchase	Approximate percentage of our total purchase	Credit term(s)	Settlement method(s)
				RMB'000	%		
1	Supplier F ⁽⁶⁾	2021	In-vehicle hardware product manufacturing	59,386	21.1	Delivery upon payment	Bank transfer
2	Supplier B	2019	In-vehicle hardware product manufacturing	44,811	15.9	180 days	Bank transfer, bank acceptance draft
3	Supplier C	2020	In-vehicle hardware product manufacturing	25,712	9.1	30 to 60 days	Bank transfer, bank acceptance draft
4	Supplier G ⁽⁷⁾	2019	In-vehicle hardware product manufacturing	16,139	5.7	Delivery upon payment	Bank transfer, bank acceptance draft
5	Supplier D	2019	In-vehicle hardware product manufacturing	10,245	3.6	180 days	Bank transfer, bank acceptance draft
				156,293	55.4		

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For the year ended 31 December 2023

Rank	Supplier	Year of commencement of business relationship	Principal product sold/service provided	Approximately	Approximately	Credit term(s)	Settlement method(s)
				amount of purchase	percentage of our total purchase		
				RMB'000	%		
1	Supplier F	2021	In-vehicle hardware product manufacturing	69,657	16.7	Delivery upon payment	Bank transfer
2	Supplier B	2019	In-vehicle hardware product manufacturing	61,334	14.7	180 days	Bank transfer, bank acceptance draft
3	Supplier C	2020	In-vehicle hardware product manufacturing	47,059	11.3	30 to 60 days	Bank transfer, bank acceptance draft
4	Supplier G	2019	In-vehicle hardware product manufacturing	27,538	6.6	Delivery upon payment	Bank transfer, bank acceptance draft
5	Supplier H ⁽⁶⁾	2022	Insurance products	23,399	5.6	Payment in advance	Bank transfer
				<u>228,986</u>	<u>54.9</u>		

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Notes:

- (1) Supplier A is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in design, R&D, consulting and sales of automotive electronics, wireless data terminals, integrated circuits, electronic products and computer software and hardware in the PRC, with a registered capital of RMB53.1 million as at the Latest Practicable Date.
- (2) Supplier B is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in development, technical advice, technology transfer and technical services of electronic and technological products in the PRC, with a registered capital of RMB12.0 million as at the Latest Practicable Date.
- (3) Supplier C is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in sales of automotive products trading and import and export of goods and technology in the PRC, with a registered capital of RMB18.2 million as at the Latest Practicable Date.
- (4) Supplier D is a privately-owned PRC company which is a subsidiary of Supplier C, located in Huizhou city, Guangdong province, mainly engaged in technology development, technical consulting, technology transfer and technical services for electronic technology products in the PRC, with a registered capital of RMB60.0 million as at the Latest Practicable Date.
- (5) Supplier E is a privately-owned PRC company, which is located in Chongqing municipal, mainly engaged in development of software and technical services, technology development, technology consulting, technology exchange, technology transfer and technology promotion in the PRC, with a registered capital of RMB1.0 million as at the Latest Practicable Date.
- (6) Supplier F is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in design, R&D, consulting and sales of electronic products, wireless data terminals, integrated circuits, electronic products and computer software and hardware in the PRC, with a registered capital of RMB53.1 million as at the Latest Practicable Date.
- (7) Supplier G is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in development and sales of electronic products, digital products, electromechanical products, auto parts, computer hardware and software, office software, instruments and meters and smart home products in the PRC, with a registered capital of RMB5.0 million as at the Latest Practicable Date.
- (8) Supplier H is a privately-owned PRC company, which is located in Shenzhen city, Guangdong province, mainly engaged in insurance business in the PRC, with a registered capital of RMB4,007.2 million as at the Latest Practicable Date.

None of our Directors or their close associates, or any, Shareholders who (to the best knowledge of our Directors are beneficially interested in 5% or more of the issued share capital of our Company) or their respective close associates had any interest in any of our five largest suppliers for each year during the Track Record Period. All of the five largest suppliers are Independent Third Parties.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any major disruption in business due to material delays or defaulting payments in respect of purchases we made from our top suppliers, and there has been no material breaches of the supply agreements with our top suppliers which may have or have had a significant effect on the Group's business operations or financial condition.

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Components and raw materials

We primarily procure components for in-vehicle hardware products, including car dash cameras, car rear view mirrors, GPS modules and smart car GPS navigation system, from our in-vehicle hardware products manufacturers in the PRC, and we also procure in-vehicle hardware components including, displays, touch screens, vehicle modules and core boards from manufacturers in the PRC. We also procure data traffic from telecommunications operators in the PRC.

Since 2021, there has been a global shortage in the supply of semiconductor chips which negatively affected our sales of in-vehicle hardware products business in ways such as production schedules and lead times, resulting in delayed orders and/or failure to meet demands of our customers, and leading to the increase in selling price of semiconductors, which accounted for approximately 10% of the total cost of our core board products in FY2021, while they have less than a 3% cost impact on our in-vehicle infotainment system and vehicle safety system products since we purchase in-vehicle infotainment system products and in-vehicle safety system products as finished products and semiconductor chips constituted only a small part of their bill of materials. We have taken a series of measures to mitigate the risk of such shortage including: (i) building up stable relationships with various suppliers to avoid dependence on a single supplier, and ensuring supply chain stability by working closely with suppliers to forecast customers' demands in advance and make timely purchases; (ii) adjusting the selling prices of in-vehicle hardware products, in particular, selling prices of our core board, based on market demand and competition to balance the pressure of rising costs and customer acceptance so that we could maintain competitiveness and minimise the impact of the cost increases, and communicating clearly with our customers and explaining the reasons and necessity of cost adjustments; (iii) reducing overall costs and improving productivity; and (iv) maintaining close communication with our customers and explaining possible supply shortage to them in advance and working out solutions together, and allocating resources according to the priority of customer demand to ensure timely delivery of orders.

Inventory

Our inventories are primarily in-vehicle hardware products, raw materials and components in our sales of in-vehicle hardware products business. We generally maintain a very limited number of finished products in our warehouses and warehouses provided by our outsourced warehouse management services providers, and these products mainly include in-vehicle infotainment system and in-vehicle safety system, as most finished products are delivered directly to our customers upon the completion of production. Our supply chain management team closely monitors our inventories, including inventory levels, age and turnover rate. We also conduct regular stock takes of our inventories, which are coordinated by our finance team.

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As at the end of 2021, 2022 and 2023, our inventory balances were approximately RMB11.8 million, RMB14.8 million and RMB10.0 million, respectively, and the average inventory turnover days were approximately 17.6 days, 20.1 days and 14.6 days, respectively. Please refer to “Financial Information—Description of Selected Items in the Consolidated Statements of Financial Position—Inventories” for further details.

OVERLAPPING OF MAJOR SUPPLIER WHO IS ALSO OUR CUSTOMER

During each year of the Track Record Period, among our five largest suppliers, Supplier B is our overlapping customer and supplier. To the best knowledge and belief of our Directors, Supplier B and its ultimate beneficial owner are Independent Third Parties.

During the Track Record Period, we outsourced the manufacturing of in-vehicle products to Supplier B while we also occasionally sold our hardware to Supplier B for the year ended 2022. At Supplier B’s request, we sold one of our electronic components that Supplier B could assemble and incorporate into Supplier B’s own product into in-vehicle devices and sell to their own customers. Such arrangement could also decrease our inventory holding costs. Our Directors confirm that all of our purchases from and sales to Supplier B were not inter-conditional, inter-related or otherwise considered as one transaction.

The table below sets forth the total sales and total purchases attributable to/from Supplier B for the years indicated:

	FY2021	FY2022	FY2023
Purchases			
Cost (<i>RMB’000</i>)	38,352	44,811	61,334
At a percentage of our total amount of purchase	17.5%	15.9%	14.7%
Sales			
Revenue (<i>RMB’000</i>)	–	318	–
As a percentage of our total revenue	–	0.08%	–
Related cost (<i>RMB’000</i>)	–	317	–
Gross profit margin	N/A	0.2%	N/A

Our Directors are of the view that there are no unusual benefits to our Group or Supplier B other than the profit and loss derived from the arm’s length transaction with Supplier B as disclosed above.

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QUALITY CONTROL

Our Directors believe that high quality and standards are critical to our Group's success. Guanglian Saixun, one of our principal operating subsidiaries, has obtained the accreditation of ISO 9001 since October 2020. The application for ISO 9001 certification was initiated by us to maintain a well-established quality management system for our Group. The major objective for adopting ISO 9001 is to demonstrate our ability to consistently provide quality services to our customers and we aim to enhance customer satisfaction through effective application of the quality management system.

For our research and development, we have put into place the Quality Management Rules for our R&D centre, setting out the responsibilities and steps to be taken in quality management by our different departments in the development of new products and services such as the R&D department, the testing department, the operations and maintenance department and the product project department.

We have stringent quality requirements in our production process, and we select new suppliers based on several factors and only those who meet our quality control requirements are qualified to be approved suppliers. We have put in place quality control procedures for handling defective products or services, the delivery of after sales services, the introduction of new products and services, and product (including hardware and software) quality control procedures. As at the Latest Practicable Date, our quality control team consisted of two members, who are primarily responsible for ensuring that our quality control procedures are complied with.

For products required to be in compliance with national recognised standards, market, before we start to sell such products to the market, we will conduct corresponding product tests and certifications based on product characteristics in compliance with national standard requirements, and obtain corresponding product test reports or corresponding certificates to ensure the products sold meet the national marketing standard. We are generally liable for losses or injuries caused by the design, materials and production of our products sold.

During the ordinary course of our business, we receive feedback, suggestions and complaints from customers from time to time regarding our products and services. We have established internal procedures to record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our response. We believe the measures we take can reinforce our quality control standards to our customers, and continue to improve and enhance customer satisfaction.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims, refunds or returns from our customers, complaint from our customers or any regulatory bodies, or other remedies in respect of our products and which had a material adverse effect on our business or results of operations.

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TECHNOLOGY INFRASTRUCTURE, SYSTEMS AND CAPABILITIES

We are dedicated to providing customers with scalable and reliable infrastructure, secure and compliant cloud services relying on industry-leading technologies. Our SaaS operates on a cloud-based technology infrastructure, and as one of our business strategies, we plan to adopt cloud-native technologies in the development and hosting of applications for our Dijia SaaS, which would allow us to harness large quantities of data and ensures high quality performance at a large scale with increased capacity.

Our technology infrastructure and systems

By cooperating with a leading cloud computing service provider in the PRC, we built our technical infrastructure on top of its cloud computing service. Substantially all of our cloud-based services are premised on such cloud. In addition, like many of other software providers in our industry, we also procured other generic IT services from third-party vendor for internal data storage.

During the Track Record Period, the amounts of purchases made from our cloud computing service provider were immaterial in nature. We believe we do not have any material impediment to switch our cloud computing service provider as we have adequate alternative sources of such services which are commonly accessible in the market. Moreover, most cloud computing service providers offer comprehensive products and services and customer support to facilitate data migration, which allows user to perform customised data migration by configuring the migration tasks as needed. In addition, the compatibility of our existing technology infrastructure and software products and services allows for swift transition and effective integration across the cloud infrastructure of different cloud computing service providers. Therefore, we do not expect any material technological issues or other hurdles for us to switch cloud computing service providers should the need arises. Furthermore, our systems run on the cloud infrastructure, and the cloud infrastructure primarily serves as a conduit for exchange of data over the Internet, for carrying out computations and also for data storage. Our SaaS-based services allow our customers to process large volumes of data on a real-time basis and ensure high-speed and stable performances on a large scale to accommodate and support the increased complexity and diversity of our customers' business operations. We have been enhancing our technology infrastructure by deepening the cooperation with third-party cloud computing services to ensure our cloud infrastructure can effectively address our growing business needs. In addition, we have in place a comprehensive set of contingency plans to manage potential risks of any emergency or service disruption. We have put into place our IT emergency response and recovery plan (IT應急回應及恢復預案), database system management procedures (資料庫系統管理辦法) and server safety management system (伺服器安全管理制度), which together provide a framework for the management, maintenance and backup of our IT systems, our servers, our computers and our databases to ensure their safe operations and, if necessary, perform disaster recovery.

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During the Track Record Period, we did not encounter any unplanned service interruption of our cloud computing service provider or our internal servers or databases that had a material impact on our business.

Our technological capabilities

Our production research and development capabilities are key in maintaining our competitive position in the market. Through continuous development of new methods of data analysis, iteration and upgrading of the agile and efficient system, strong support has been provided to our efficient operation and management system, and the industry leading position of our overall products and services in the SaaS marketing and management services space and vehicle-connected services industry has been maintained. With our research and development capabilities and industry foresight, we have developed a set of proprietary technology for operation of 4S stores in the automobile dealing industry in the PRC.

We continue to focus on strengthening our product research and development capabilities to maintain our industry leading position of overall products and services. We also continue to improve our data application and commercialisation capabilities. We can model the desensitised data provided by our customers that is collected in compliance with relevant laws and regulations, and commercialising the data effectively through the combination of specific marketing and car usage scenarios to develop products that can be used in specific business scenarios. Through development of the application of data analysis technology and leveraging on data analysis algorithm, we strive to analyse and identify the characteristics of demand from car users in different stages of the vehicle lifecycles to identify car users' unmet needs, thereby helping 4S stores realised targeted marketing. Through the research on algorithmic models, the algorithm models established by us can detect real collisions more accurately, thereby providing 4S stores with timely and accurate clues for repair needs of car users. Through iteration and upgrading of the agile and efficient system, a set of full-link customised marketing services for the combined online and offline customers has been rapidly developed around the needs for operation in private domain of 4S stores, on the one hand, rapid iteration has provided strong support to our efficient operation and management system construction on the other hand. It can be seen that by leveraging on our research capability and industry foresight, we have developed a set of proprietary technology for conducting targeted marketing in private domain of 4S stores in the automotive aftermarket industry in China.

With the rapid advancement of large language model-related technologies, we have embarked on comprehensive research and expanding the scope of application of large language model technology. During the Track Record Period, we engaged reputable third party cloud service providers for provision of generic large language model services since February 2023. Through gaining and leveraging these services and combining them with our business scenarios, we have developed scenario-specific applications to enhance business efficiency. For instance, in the marketing scenario of

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in-store retail, the varying levels of knowledge among in-store personnel can significantly affect sales conversion rates. To address this, we have implemented a sales Q&A assistant tool with comprehensive product and service knowledge, using a combination of vector database, which is a type of database that stores data as high-dimensional vector, which are mathematical representations of features or attributes and large language model technology. Sales personnel can utilise this assistant tool via WeCom at any time to inquire about products and services, thereby improving the knowledge of the in-store personnel and increasing the overall business efficiency. Similarly, in the process of creating marketing campaigns at 4S stores, by utilising third party large language model services, marketing objectives can be expressed through short natural language expressions, our tool is capable of automatically generating relevant marketing titles and content, as well as selecting appropriate marketing packages to selected users. This automation reduces the effort of sales personnel in manually devising sales and marketing content while at the same time enhancing the relevance of marketing material, and thus enhancing the sales efficiency of 4S store marketing personnel.

Our research and development efforts

Our research and development efforts primarily focus on expanding our product and service offerings, upgrading our technologies to address the emerging markets in automotive aftermarket. As such, we also pay attention to and analyse the feedback from our customers to understand the needs and preference of our customers and end users and make product adjustment and iteration from time to time and in a timely manner.

As at the Latest Practicable Date, our research and development team consisted of 75 members, 42 of them have completed tertiary education in computer science or software technology and have on average more than nine years of industry experience in connected service. During the Track Record Period, we incurred research and development expenses of RMB16.8 million, RMB17.0 million and RMB18.1 million, respectively.

CYBERSECURITY AND PERSONAL DATA PRIVACY

The Cybersecurity Review Measures and the Cybersecurity Regulations

On 28 December 2021, the Cyberspace Administration of China (the “**CAC**”) published the Revised Measures for Cybersecurity Review (the “**Revised CAC Measures**” 《網絡安全審查辦法》), which became effective on 15 February 2022, and superseded the Measures for Cybersecurity Review promulgated on 13 April 2020. The Revised CAC Measures, which stipulates that operators of critical information infrastructure purchasing network products and services, and network platform operators carrying out data processing activities that affect or may affect national security, shall conduct

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cybersecurity review. Pursuant to Article 7 of the Revised CAC Measures, any network platform operator with personal information on more than one million users must go through a cybersecurity review by the cybersecurity review office before listing in a foreign country.

On 14 November 2021, the CAC commenced to publicly solicit comments on the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (“**Draft Data Security Regulations**”), which provides that a data processor contemplating to list its securities on a stock exchange in Hong Kong which affects or may affect national security is required to apply for a cybersecurity review pursuant to relevant rules and regulations. However, the Draft Data Security Regulations does not provide the standard to determine under which specific circumstances such listings would “affect or may affect national security.” As at the Latest Practicable Date, the Draft Data Security Regulations was released for public comment only and its final version and effective date may be subject to change and uncertainty.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material incident of data or personal information leakage, infringement of data protection, investigation by the competent authorities or other legal proceedings relating to data processing or data protection, or received any inquiry, notice, warning, punishment or sanctions relating to data processing or data protection that may have a material adverse effect our business. As at the Latest Practicable Date, we had not received any data security-related enquiries and had not been subject to any notices, warnings, or sanctions imposed by any regulatory authorities due to cybersecurity concerns. Our Directors confirm that there had been no material privacy issues, investigation, penalty, litigation or legal proceedings against us in relation to data privacy and protection during the Track Record Period and up to the Latest Practicable Date.

On 3 April 2023, the Sponsor, our PRC Legal Adviser and the Sponsor’s PRC Legal Adviser made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (the “**CCRC**”), which is delegated by the CAC to accept applications for cybersecurity review, the staff of which confirmed that the term [REDACTED] under Article 7 of the Revised CAC Measures exempts [REDACTED] in Hong Kong from the mandatory obligation of ex-ante application of cybersecurity review and we does not need to apply for the cybersecurity review according to Article 7 of the Revised CAC Measures. The telephone consultation was carried out on a real-name basis and we have disclosed our business model briefly at the beginning of the telephone consultation. Our PRC Legal Adviser is of the view that the CCRC is the competent authority for such consultation, and the staff who responded to our inquiries during such consultation is the duly designated person in the CCRC to handle public inquiries. Our Directors, after taking advice from our PRC Legal Adviser, are of the view that, because (i) we do not possess more than one million users’ personal information, and (ii) based on the consultation with the CCRC, our [REDACTED] in Hong Kong does not fall within the scope of “listing abroad (赴國外上市)” pursuant to the Revised CAC Measures, we do

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not need to initiate the application for cybersecurity review pursuant to Article 7 of the Revised CAC Measures. As at the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator, neither had we been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning or sanctions in such respect. Therefore, our Directors believe, and our PRC Legal Adviser concurs, that the Revised CAC Measures and the Draft Data Security Regulations, if implemented in their current forms, would not have a material adverse impact on our business operations or the proposed [REDACTED].

Since the current regulatory regime regarding data and cybersecurity is still evolving, and the PRC government authorities may have different opinions in the interpretation and enforcement of these regulations, there can be no assurance that the competent government authorities will ultimately take a view that is consistent with the views given by our Directors and our PRC Legal Adviser above. However, we will continue to closely monitor the development of the relevant laws and regulations to ensure timely compliance with the latest regulatory requirements.

For related risks, see “Risk Factors—Risks Related to our business and industry—Our business is subject to complex and evolving laws and regulations regarding cybersecurity, privacy, data protection and information security in China. Any privacy or data security breach or failure to comply with these laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.”

Our implementation on data privacy and security

We are fully committed to complying with cybersecurity and data privacy laws in all material aspects. We have established our user privacy policies, which clearly set forth how we protect the information and data made available to us throughout its lifecycle.

Data collection

When providing our services, we may have access to certain information and data, such as contact information, log-in details, IMEI (international mobile equipment identity), location, delivery address directly from our APP or mini programs users, most of whom are car users, mainly for user account registration and ongoing product support purposes. Without prior consent from the users, we are not allowed to collect any information or data from them. We have published our privacy policies that disclose our rules of collecting and using personal information in the links on the login page of our APP or mini programs in WeChat, and obtained the consent of users through pop-up windows, checkboxes or in other prominent ways.

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We only provide reporting and data analytic tools for our 4S store customers and we, as a third-party service provider, do not have control over the types of data our customers collect from their customers. In our Dijia SaaS and HuGe e-Shield SaaS, our customers may upload data relating to their own customers to the cloud environment that hosts our SaaS services. In using our SaaS services, they may also store data such as personal information in the cloud environment. The cloud resources are procured by us and are provided by third-party cloud service provider. In this model, our customers have complete discretion to collect, store, process, export, disclose and remove data stored in the cloud environment and we do not have control over such matters.

According to the Information Security Technology Personal Information Security Specification ((GB/T 35273-2020) (《信息安全技術個人信息安全規範(GB/T 35273-2020)》) promulgated by the State Administration of Market Supervision and Administration (國家市場監督管理總局) and the National Standardization Administration (國家標準化管理委員會), collection is the act of obtaining control over personal information. Our PRC Legal Adviser has advised us that since we only provide cloud resources for clients to store and process data and do not access clients' data without their authorisation, the ownership of such data belongs to our clients.

Data usage and processing

We strictly execute a data accessing and transmitting policy to ensure the confidentiality of client data. For example, we require our employees to obtain clients' authorisation before performing any client requests.

Also, we are only allowed to access, use or disclose any data that stored in the cloud environment, unless specifically allowed by our customers and authorised by our customers to carry out limited system maintenance and technical support services, which may include helping clients resolving problems they have in using our SaaS services.

Our rights and obligations for using or processing data are disclosed in our privacy policies, which may include: (i) enabling our services and ensuring our products and services function properly; (ii) allowing us to provide ongoing product support; and (iii) assisting with regulatory investigations or other legal proceedings in accordance with applicable laws and regulations, and court or administrative orders.

Data storage and transmission

All user information and data we receive in China are stored and preserved within China, and no cross-border transmission of users' data is involved in our business.

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Data protection

We have obtained ISO 27001 Information Security Management System Certification, and our system is on file with the relevant public security authorities in China with a Level 3 information system security level. We implement a vigorous data privacy and security regime to ensure data security of our customers and car users.

- Data access. We have clear and strict authorisation and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes and are required to verify authorisation upon every access attempt.
- Data encryption. To protect our customers' personal data, we implement encryption storage technologies to safeguard our customers' data. Neither we, the cloud service providers or other third parties are able to access the data of our customers' end customers.
- Restrictions on third-party service providers. We cooperate with the market-leading third-party cloud service provider, and ensure that the third-party cloud service provider to comply with its collection and protection policies, and the relevant laws and regulations relating to cybersecurity through service agreements. According to our service agreement with the third-party cloud service provider, cloud services users maintain full control of data stored on the cloud computing platforms. The third-party cloud service provider does not access, use or disclose user data without authorisation, unless as necessary to maintain or provide services or to comply with laws, regulations, or requests of governmental or regulatory authorities. The third-party cloud service provider defends against network security threats by adopting necessary technical measures; and the third-party cloud service provider will be liable for any failure to provide cloud services caused by its own fault. We also implement encryption methods to prevent data breach. Public clouds operate under a multi-tenant architecture, which allows multiple users to access the cloud resources while each user's data is logically separated and remains isolated from the data of other users. Therefore, other users of public clouds have no access to our clients' data stored on the cloud computing platforms.

We have established company-wide policies to cover various aspects of network security and data privacy and protection. We have adopted and implemented various cybersecurity and data protection policies which set out technical and organisation measures to protect users' data privacy and security, including: Data Security Management System (《數據安全管理制度》), Management Program for Information Security Risks (《信息安全風險管理程序》), Management Program for Information Security Incidents (《信息安全事件管理程序》), Management Program for Information System Development and Maintenance (《信息系統開發與維護管理程序》) and Emergency Response Plans for Network Security Incidents (《網絡安全事件應急預案》).

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We have an internal team dedicated to formulating data protection policy and monitoring data security practices. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material information leakage or loss of data.

Our Data Security Management System outlines the classification of sensitive data, protection of sensitive data, rules for data usage, and guidelines for data destruction. The Employee Handbook of our Company clearly defines the management requirements for accountability for the leakage of confidential information. During new employee onboarding training, the importance of maintaining information confidentiality is emphasised for all new hires. The Human Resources Department of the Human Administration Center is responsible for supervising employee behaviour, reporting, and handling any disciplinary actions for violations such as leaking confidential corporate information or breaching confidentiality policies.

Our Server Security Management System and Database System Management Measures standardise the operation and monitoring of information systems. Business systems are deployed based on cloud servers, utilising security protection tools provided by cloud service providers to safeguard server content and business data; the internal control system is deployed based on local physical data centers, where the platform's Research and Development Center - Operations Department network administrators are responsible for the databases. External computers in the data center have no direct access to the databases to prevent illegal copying of data.

Our Information Security Management Manual and related password policies specifies the complex hierarchical levels for login passwords for various network devices and databases. Within the company's information systems, apart from Djia Smart Car Life (嘀加智享車生活), which enforced the password strategy, as at the Latest Practicable Date, other information systems did not impose password strategy restrictions such as password length, password strength and validity period for user login accounts.

We are also required to comply with relevant requirements under the Automobile Data Security Provisions. Pursuant to the Automobile Data Security Provisions, automobile data operators shall conduct risk assessment for its important data operating activity, and report it to relevant government authorities. As our business and the services we provide involve the collection of certain information and data mainly for user account registration and ongoing product support purposes, which may be deemed as "important data" by regulators under the Automobile Data Security Provisions, we have completed and submitted the automobile data security management report to competent government authorities in accordance with the Automobile Data Security Provisions. Furthermore, pursuant to the Automobile Data Security Provisions, when an automobile data operator needs to make a cross-border transferring of important data for business purpose, such operator needs to pass the security assessment organised by CAC and other relevant government authorities. Our Directors confirm that we do not conduct any cross-border transfers of important data, thus the security assessment aforementioned is not applicable to us.

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Our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable cybersecurity and data privacy laws and regulations in the PRC in all material aspects.

Please refer to the paragraph headed “Risk Management and Internal Control—Data privacy and information security risk management” in this section for further details on the Group’s risk control policies on data privacy and information security management.

COMPETITION

We face competition in the automotive aftermarket industry primarily from other connected services providers of the automotive aftermarket industry. Additionally, hardware and software companies, who do not yet offer products and services for the connected services in the automotive aftermarket industry, may expand to offer their own in-vehicle hardware products and SaaS marketing and management services using their technologies, such potential competitors may include in-vehicle hardware products manufacturers and software service providers. It is also possible for other automotive aftermarket players (e.g. companies that provide traditional auto parts and accessories) to branch out and compete with us in offering Internet-connected vehicle hardware. We believe our competitive advantages lie in our leading position in the SaaS marketing and management services space, our long experience in the automotive aftermarket industry and our ability to achieve connectedness of those hardware, our research and development capabilities, and the clients resources that we have accumulated over the years. We believe that we are well-positioned to compete effectively on the basis of the foregoing factors. Please refer to the section headed “Industry Overview” in this document for further information on the competitive landscape of our industry.

Nevertheless, some of our existing and potential competitors may have greater financial, business, management, technological, technical, marketing and other resources than we do and may be able to invest greater resources to the development, promotion, sale and supporting of their products and services. For further details, please refer to the section headed “Risk Factors—Risks Relating to Our Business and Industry—We face intense competition in the market that we operate in. If we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be adversely affected” in this document.

In addition, we also face competition for highly skilled personnel, including management, software engineers and sales and marketing staff. Our growth depends in part on our ability to retain our skilled workforce and attract additional highly skilled employees. See “Risk Factors—Risks Related to Our Business and Industry—Our financial performance may be adversely affected by our need to recruit and retain experienced technical and sales and marketing staff, and increasing staff costs”.

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AWARDS AND ACHIEVEMENTS

Our operations have accomplished a number of milestones and we have obtained a number of awards, certificates and recognition after years of development. Some of the significant awards, certificates and recognition we received are set out below:

Awards/associations	Award/issuing organisation	Issuing year
Executive member (常務理事單位) of CADA	CADA	2012
China Automobile Dealing Industry Business Service Model Innovation Award (中國汽車流通行業經營服務模式創新獎)	CADA	2016
“Internet+” Performance Pioneer Award for the China Automobile Dealing Industry (中國汽車流通行業「互聯網+」實踐先鋒獎)	CADA	2017
Member of Automotive Aftermarket Committee of China Auto Dealers Chamber of Commerce (中華全國工商業聯合會汽車經銷商商會後市場委員會)	Automotive Aftermarket Committee of China Auto Dealers Chamber of Commerce	2019
19th Shenzhen Enterprise Innovation Record (第十九屆深圳企業創新記錄)	Shenzhen Enterprises Innovation Record Approval Committee and Shenzhen Enterprises Innovation Record Organisation Committee (深圳市企業創新記錄審定委員會、深圳市創新記錄組織委員會)	2020
Shenzhen Top Brand (深圳知名品牌)	Shenzhen Top Brands Evaluation Committee (深圳知名品牌評價委員會)	2020
Guangdong Province Enterprise of Observing Contract and Valuing Credit (廣東省守合同重信用企業)	Shenzhen Administration for Market Regulation (深圳市市場監督管理局)	2021
2021 Internet of Vehicles Solution Golden Finger Award (2021年度車聯網解決方案金手指獎)	China (Dawan District) International Car Networking Conference Organisation Committee (中國(大灣區)國際車聯網大會組委會)	2021
Member of the Shenzhen Association for Artificial Intelligence (深圳市人工智能學會理事單位)	Shenzhen Association for Artificial Intelligence (深圳市人工智能學會)	2022

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Awards/associations	Award/issuing organisation	Issuing year
Specialised, Sophisticated, Distinctive and Innovative Small and Medium Enterprises (專精特新中小企業)	Shenzhen Small and Medium Enterprise Service Bureau (深圳市中小企業服務局)	2023
High and New Technology Enterprises (高新技術企業)	Shenzhen Science and Technology Innovation Commission (深圳市科技創新委員會), Shenzhen Finance Bureau (深圳市財政局) and Shenzhen Taxation Bureau of State Taxation Administration (國家稅務總局深圳市稅務局)	2023
22nd Shenzhen Enterprise Innovation Record (第二十二屆深圳企業創新記錄)	Shenzhen Enterprises Innovation Record Office (深圳市企業創新記錄辦公室)	2023
2022 Automotive Electronics Science and Technology Award for Excellent Innovative Product (2022年度汽車電子科學技術獎優秀創新產品獎)	Shenzhen Automotive Electronics Industry Association (深圳市汽車電子行業協會)	2023
2022-2023 Excellence Award for Scientific and Technological Innovative Data and Cyber Security of the Internet of Vehicles (2022-2023車聯網科技創新數據與網絡安全卓越獎)	China (Dawan District) Car Networking Conference Organisation Committee (中國(大灣區)車聯網大會組委會) and Guangdong Hi-Tech Enterprise Association (廣東省高新技術企業協會)	2023
Best Employer Talents Development Award (最佳僱主人才發展獎) in the 10th Shenzhen Growth Enterprise Best Employer Award (第十屆深圳成長型企業最佳僱主)	Shenzhen General Chamber of Commerce (深圳市商業聯合會)	2023

INTELLECTUAL PROPERTY

We have obtained key intellectual property and proprietary rights in relation to the operation of our business. Our intellectual property includes trademarks and trademark applications related to our brands, services and software copyrights. We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures. As at the Latest Practicable

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Date, we had registered over 110 trademarks in the PRC, one registered trademark in Hong Kong, have been granted 28 patents and holding nine patent applications, and had registered over 40 registered software copyrights and six copyrights in the PRC that are material to our business.

As at the Latest Practicable Date, we had ten registered domain names that are material to our business. As at the Latest Practicable Date, we did not license any of our intellectual property rights to any third parties. Our Directors confirm that we were not involved in any material disputes or legal proceedings in respect of any intellectual property rights infringement that may be threatened or pending, in which we may be involved whether as claimant or respondent as of the Latest Practicable Date. If any third-party infringement claims are maliciously or intentionally brought against us, we will defend against such claims regardless of their merits. Please refer to the section headed “Risk Factors—Risks Relating to Our Business and Industry—We may be vulnerable to intellectual property infringement claims brought against us by others.” in this document for further details.

For further details, please refer to “Statutory and General Information—B. Further Information about Our Business—2. Our Material Intellectual Property Rights.” in Appendix IV to this document.

We also use software licensed from third parties, primarily including software and development tools provided by our cloud service providers, open-source software (such as Android) and regular office software.

As at the Latest Practicable Date, we had not received any material infringement claims nor had we filed any infringement claim against any third parties.

EMPLOYEES

As at 31 December 2023, we had 225 full-time employees. Our full-time employees are mainly located in Shenzhen, Guangdong province, the PRC. The following table sets out the number of our full-time employees by function as at 31 December 2023.

Function	Number of Employees
Senior management	9
Sales and marketing	62
Research and development	77
Operations and supporting	49
General and administrative	28
Total	225

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We recruit our employees from the open market. We are committed to recruiting, training and retaining skilled and experienced people throughout our operations. When we make hiring decisions, we take into account factors such as our business strategies, our development plans, industry trends and the competitive environment. We recruit our employees based on a number of factors such as their work experience, educational background and vacancy needs. We endeavour to attract and retain appropriate and suitable personnel to serve our Group.

The remuneration packages for our employees include salary, bonuses and allowances. As required by the PRC regulations, we participate in social insurance schemes operated by the relevant local government authorities and maintain pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for some of our employees. We also contribute to housing provident funds for some of our employees.

We provide continuing education and training programmes to our employees to improve their skills and develop their potential. We also adopt evaluation programmes through which our employees can receive feedback. We foster strong employee relations by offering various staff benefits and personal development support. Our Company has also established a labour union to protect employees' rights and encourages employee participation in the management of our Company. Our Directors considered that our Group have maintained good relationship with our employees.

During the Track Record Period, we have also hired certain dispatched labour from an employment agency to support 4S stores' offline sales, while the number of dispatched labour did not exceed 10% of the total number of our labour force. As advised by our PRC Legal Adviser, employment relationship only exists between the employment agency and the dispatched labour. We are responsible to pay service fees to the employment agency and explain job requirements to the labour. The employment agency is responsible for paying salaries to the dispatched labour and contributing to social security insurance according to the relevant PRC laws and regulations. In 2022, we did not continue our dispatch cooperation with the employment agency. As at the Latest Practicable Date, we had no dispatched labour.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in the recruitment or any disruption to our operations due to labour disputes or claims.

INSURANCE

We maintain commercial insurance, compulsory motor insurance and product liability insurance. We also make contributions to social insurance for some of our employees in accordance with the applicable laws and regulations. We however do not maintain any business interruption insurance, insurance policies covering damages to our network infrastructures or information technology systems. We review our insurance

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policies from time to time for adequacy in the scope of coverage. We believe our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to our Group. There are certain risks for which we are not insured for, and we may not have sufficient insurance coverage for damages and liabilities that may arise during the course of our business operations. Please refer to the section headed “Risks Factors – Risks Relating to Our Business and Industry – Insurance coverage may not be adequate, and increased insurance costs could adversely affect our results of operations.” in this document for further details.

LEASED PROPERTIES

As at the Latest Practicable Date, we leased 13 properties for use as offices, research and development centres, warehouses, operating premises and dormitories in the Guangdong province, Chongqing municipality, Tianjin municipality and the Sichuan province in the PRC with lease expiry dates ranging from 30 June 2024 to 24 February 2026. As at the Latest Practicable Date, we did not own any real property. We believe that our leased properties are adequate to meet our current needs, and that we will be able to obtain adequate properties, principally through leasing of additional properties, to accommodate our future expansions.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

Litigations with Mesada Technology Co., Ltd. (深圳市美賽達科技股份有限公司) (“Mesada Technology”) and Shenzhen 365CAR Technology Co., Ltd. (深圳市車友互聯科技有限公司) (“365CAR Technology”)

The litigation with Mesada and 365CAR Technology (a subsidiary of Mesada Technology) concluded in April 2020

In January 2016, Mesada Technology and 365CAR Technology, a subsidiary of Mesada Technology, brought a civil action against Guanglian Saixun, and two other defendants (collectively, the “**Three Defendants**”) on the ground of infringement of software copyrights, with a total claimed amount of RMB99.0 million.

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Our Company was successful in defending its claim and was adjudged to have no liability for the claims. In May 2019, the Intermediate People’s Court of Shenzhen City of Guangdong Province (廣東省深圳市中級人民法院) dismissed all the claims of Mesada Technology and 365CAR Technology (the “**Software Copyrights First Instance Judgement**”). Mesada Technology and 365CAR Technology filed appeals, but withdrew their appeals in April 2020, which rendered the Software Copyrights First Instance Judgement effective and resulted in the dismissal of the case against all Three Defendants. Therefore, Guanglian Saixun had no liability under this case, and as advised by the PRC Legal Adviser, there is no recourse that may be brought about by Mesada Technology and 365CAR Technology in respect of this specific alleged infringement.

The litigation with Mesada Technology and 365CAR Technology, concluded in November 2020

In April 2016, Mesada Technology and 365CAR Technology brought a civil claim against Guanglian Saixun, Mr. Xiao Peng (肖鵬), who is an employee of the Group, and five other defendants, claiming a total amount of RMB46.8 million. In May 2019, the Shenzhen Intermediate People’s Court of Guangdong Province (廣東省深圳市中級人民法院) held that Guanglian Saixun and Mr. Xiao Peng (肖鵬) should (a) cease to infringe Mesada Technology’s commercial secrets in Mesada GPS Console Software V2.0 (美賽達GPS 主控台軟體V2.0), and (b) pay Mesada Technology a total amount of RMB1.0 million for its compensation for financial losses and legal costs (the “**Commercial Secrets First Instance Judgement**”). Guanglian Saixun’s appeal was not successful, which rendered the Commercial Secrets First Instance Judgement effective.

On 20 November 2020, the Shenzhen Intermediate People’s Court of Guangdong Province (廣東省深圳市中級人民法院) ruled that the obligations of Guanglian Saixun under the Commercial Secrets First Instance Judgement have been executed.

Contractual dispute with a customer

In May 2020, Shenzhen City Yuechuangda Technology Co., Ltd. (深圳市悅創達科技有限公司) (“**Shenzhen Yuechuangda**”) initiated a civil claim against Guanglian Saixun for breach of contract in relation to the processing services of car displays, and demanded Guanglian Saixun to pay RMB2.29 million and accrued interest for the services provided. In August 2020, Guanglian Saixun filed its counter-claims, demanding (a) to rescind the purchase order and the outsource order entered into between Guanglian Saixun and Shenzhen Yuechuangda, and (b) Shenzhen Yuechuangda to return 32,409 pieces of touch screens or pay for the monetary damages. In July 2021, the Shenzhen Longhua District People’s Court (廣東省深圳市龍華區人民法院) ruled that (a) Guanglian Saixun should pay RMB2.08 million for the goods and accrued interest for overdue payment to Shenzhen Yuechuangda, and (b) Shenzhen Yuechuangda should return 4,639 pieces of touch screens to Guanglian Saixun. Subsequently, Shenzhen Yuechuangda and Guanglian Saixun reached a

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settlement in December 2021, it was agreed that Guanglian Saixun should pay approximately RMB1.71 million to Shenzhen Yuechuangda. The settlement was completed on 8 December 2021. As advised by the PRC Legal Adviser, there is no recourse that may be brought about by Shenzhen Yuechuangda in respect of this specific alleged breach of contract.

Non-compliance incidents

Our Directors confirm that, save as disclosed below, our Group had conducted our operations and carried out our business in compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material aspects:

Failure to make social insurance fund contributions and housing provident fund contributions in full in the PRC in full compliance with the Social Insurance Law and the Housing Provident Fund Regulations and engagement of a third party payment agent to make contributions of social insurance and housing provident funds

During the Track Record Period and up to the Latest Practicable Date, we failed to make adequate social insurance and housing provident fund contributions as required by relevant PRC laws and regulations which did not fully comply with provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the “**Social Insurance Law**”) and the Regulations on the Administration of Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) (the “**Housing Provident Fund Regulations**”). During Track Record Period, we engaged a third party payment agent to make contributions of social insurance and housing provident fund on its behalf because we were not able to open local deposit accounts for the purpose of social insurance and housing provident fund for certain employees, which was not in compliance with the aforesaid regulations.

Underlying causes

The non-compliance incident in relation to the shortfall in payment and engaging a third party agent to make contributions of social insurance and housing provident fund were due to (i) the insufficient understanding of the applicable PRC laws and regulations relating to social insurance fund and housing provident fund contributions; and (ii) absence of professional advice for our staff at the material time.

Relevant laws and regulations

According to the Social Insurance Law, enterprises are obliged to apply for social insurance registration with local social insurance agencies and pay premiums on behalf of their employees by reference to their actual income. If an enterprise fails to pay the required premiums on time or in full, the authorities in charge will demand the enterprise

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to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine per day from the date on which the payment is overdue. If the overdue amount is still not settled within the stipulated time period, an additional fine in an amount of one to three times of the overdue amount will be imposed.

According to the Housing Provident Fund Regulations, enterprises must register with the competent managing centre for housing funds and open an account in a bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds on time and in full. Any employer who fails to fully contribute may be ordered to make up the difference within a stipulated time limit, and the provident fund administration centre may apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

Potential impact on our Company

With respect to the failure to make adequate social insurance, our PRC Legal Adviser advised us that for the outstanding social insurance contribution that accumulated during and after the Track Record Period, the late payment fee equals to 0.05% of the outstanding amount calculated daily starting from the date the relevant insurance funds became overdue. If we fail to make such payments within a stipulated period, we may be liable to a fine of one to three times the outstanding contribution.

With respect to the failure to make adequate housing provident fund contribution, our PRC Legal Adviser advised us that the housing provident fund management centre shall order the company that is overdue in the payment and deposit of, or underpays the housing provident fund, to make the payment and deposit within a prescribed time limit, failing which the housing provident fund management centre may ask the court to take enforcement measures against such company to collect the outstanding housing provident fund.

With respect to the engaging a third party agent to make contributions of social insurance and housing provident fund, as advised by our PRC Legal Adviser, we have rectified the arrangement of engaging the third party agent by setting up subsidiaries in locations where our existing employees work in order to directly pay for their social insurance and housing provident funds without engaging third party agents.

As at the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any notice or demand from any competent authorities ordering us to make any shortfall of the payments for the social insurance fund and housing provident fund contributions. We were also not aware of any material complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

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We have obtained confirmations from and interviewed with the relevant local governmental authorities covering substantially all of our employees that: (i) no administrative penalties had been imposed on us for the shortfall during the Track Record Period and up to the date of the confirmation, and (ii) they normally would not initiate regulatory action to compel us to make supplementary contributions or impose any penalty on us. Our PRC Legal Adviser has advised us that such local governmental authorities are competent to provide the foregoing confirmations.

According to the Notice of the General Office of the State Administration of Taxation on the Work Relating to the Collection and Administration of Social Insurance in a Steady and Orderly Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) issued by the General Office of the State Administration of Taxation on 13 September 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council to Effectively Stabilise the Collection of Social Insurance (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保徵收工作的緊急通知》) issued by the General Office of the Ministry of Human Resources and Social Security on 21 September 2018, local governmental authorities are prohibited from taking their own enforcement measures to investigate and collect the outstanding social insurance.

As advised by our PRC Legal Adviser, assuming there is no material change to current laws and regulations and the practice in regulatory policies implementation and inspection of local governments, based on the Company's confirmation and the facts stated above and the confirmations from and interviews with relevant authorities, in the absence of material employees' complaints, the likelihood that we would be required by relevant authorities actively to pay shortfall for social insurance and housing provident fund contributions collectively or being subject to material administrative penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees or the engagement of the third party agent to make contributions of social insurance and housing provident fund contributions is low.

We have also received the confirmations from Mr. Zhu Hui and Mr Zhu Lei, members of our Controlling Shareholders Group, dated 12 May 2023, undertaking that in case that our Company incurs economic losses if it is required by the relevant government authorities to make full repayment of the outstanding amounts and/or pay relevant penalties, they will indemnify the Company for such payments so that the Company will not suffer from economic losses in this regard. As a result, we did not make any provisions to cover the shortfall in social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

We have taken actions with a view to make contributions in full for all employees of our subsidiaries in the future, which include communications with employees in seeking their understanding and cooperation, so as to comply with the basic contribution rates as applicable while it also requires additional contribution from our employees. According to relevant policies of the local governments, adjustments to basic contribution rates will

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generally be made by the authorities in the PRC within a specified period in a year, and the adjustments will generally be made once a year. Based on previous practices by the relevant government authorities in the places where our PRC subsidiaries locate, and in light of actual results of our communications with the employees, as confirmed by our Directors, it is expected that we can make contributions in full for certain personnel of our Company such as management at mid to senior level of our Company at the basic contribution rates as applicable prior to the [REDACTED], and make contributions in full for all of our employees at the basic contribution rates as applicable prior to the end of the second quarter of 2024.

Based on the above, our Directors are of the view that the non-compliance incidents in relation to social insurance fund and housing provident fund contributions will not have a material adverse impact on our Group's operations and financial conditions.

Internal control measures adopted

We have adopted or will adopt the following internal control measures:

- we have provided and will continue to provide regular trainings to our employees in relation to social insurance fund and housing provident fund contributions compliance requirements and the relevant laws and regulations;
- we have adopted a set of internal policies in relation to social insurance fund and housing provident fund contribution, and we will continue to maintain the arrangement that our local subsidiaries shall make their own social insurance and housing provident fund contributions instead of engaging any third-party agent to do so;
- we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds;
- the calculation of the social insurance fund and housing provident fund would be prepared by administrative department and be reviewed by our finance department on a monthly basis in order to mitigate the risk of material non-compliances with relevant laws and regulations; and
- we have set up subsidiaries in locations where our existing employees work and will directly pay for their social insurance and housing provident funds without engaging third party agents. Since June 2023, the Group has been making social insurance and housing provident fund contributions through its own local subsidiaries.

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Failure to register lease agreements with relevant PRC authorities

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the housing and real estate authority. As at the Latest Practicable Date, we had not completed lease registration for the 13 properties we leased in the PRC, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to procure that the unregistered leases are registered. However, it is out of our Group's control on whether the lessor will cooperate to register such leases. Our PRC Legal Adviser has advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC laws, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB130,000. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from any regulatory authority regarding potential administrative penalties resulting from our failure to register the aforementioned lease agreements. Our Directors are of the view that such non-registration would not have a material adverse effect on our business operations.

To the best of our knowledge, as at the Latest Practicable Date all of the landlords of our leased properties were Independent Third Parties. The lessors of four of our leased properties had not provided us with valid title certificates or relevant authorisation documents evidencing their rights to lease the properties to us, and these properties are used as our operating premises and dormitories. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. As advised by our PRC Legal Adviser, if any third party raises claims against the ownership or leasing rights of such properties, our leases in respect of such properties may be affected. In light of in the event that we are not able to continue to use such properties due to the defective titles of such properties, we believe that we will be able to find comparable properties as alternatives without imposing any material adverse effect on our business, financial condition and results of operation, our Directors are of the view that such properties with defective titles are not individually or collectively crucial to our business operations.

As a result of the reasons above, we believe that the defects of our leased properties would not materially and adversely affect our business operations.

Non-compliance incident in relation to the Product Quality Law

During the Track Record Period, we had an incident of non-compliance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) as one of our in-vehicle hardware products was found to be not in compliance by Chongqing Administration for Market Regulation (重慶市市場監督管理局) (the “**Bureau**”) with a national standard due to inadequate awareness of the applicable standards to such products at that time and the accidental oversight of the requirements by one of our suppliers while we did not identify such non-compliance. On 28 September 2021, the

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Bureau imposed an administrative penalty on Guanglian Saixun for a total fine of RMB387,621. Our PRC Legal Adviser advised that this incident will not have a material adverse impact on our operations and financial condition, mainly due to (i) according to the Decision on Administrative Penalty issued by the Bureau on 28 September 2021, as Guanglian Saixun has taken the initiative to recall the non-compliant products and eliminate the consequences of such non-compliance incident, a lighter administrative penalty was imposed on Guanglian Saixun; (ii) the amount of fines for this incident was low and close to the minimum level of fines provided for in Article 50 of the Product Quality Law, and was not considered a serious circumstance by the Bureau to lead to the revocation of business license or to criminal liability; and (iii) Guanglian Saixun has paid the fine in full on 28 September 2021. We did not suffer any pecuniary loss from recalling the non-compliant products as we subsequently rectified and resold the products. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, Guanglian Saixun had no other administrative penalty levied on it on its products or services, and such penalty did not have a material adverse impact on our financial condition or results of operations during the Track Record Period.

In response to this incident, we have carried out a comprehensive investigation on our products and revised our product quality control procedures by unifying the production information, formulating the product standards, strengthening the product testing system and implementing a supplier qualification and approval procedure. We have adopted the measures to strengthen internal supervision by designating a quality control manager to closely monitor and review product test and the national standards that applicable to our products, and ensure that our internal control measures are properly carried out and the products sold meet the national standards. Save for this incident, our Directors confirm that there has been no further contravention with the Product Quality Law by our Group during the Track Record Period and up to the Latest Practicable Date, that had resulted in any administrative penalty being levied on us by any governmental authority, and therefore the Directors consider the internal controls that have been put in place to monitor and control our in-vehicle hardware product quality have been adequate and effective. Nothing has come to the attention of the Sole Sponsor that would reasonably cast doubt on such views of our Company in any material respect.

LICENCES, APPROVALS AND PERMITS

According to the relevant PRC laws and regulations, we are required to obtain certain licences, approval and permits for our business operation. As advised by our PRC Legal Adviser, (i) we have obtained all material licences, approvals and permits required in the course of our business operation during the Track Record Period and up to the Latest Practicable Date; (ii) all such licences, approvals and permits remain valid as at the Latest Practicable Date; and (iii) there were no major legal obstacles for us to continue to hold such licences, approvals and permits as at the Latest Practicable Date.

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As at the Latest Practicable Date, our Group has obtained the following key licences, approvals and permits to carry out our business and operation:

<u>Licence</u>	<u>Holder</u>	<u>First grant date</u>	<u>Expiration date</u>	<u>Renewal requirements</u>
ICP License (Information services business (Internet information business only)) (增值電信業務經營許可證(信息服務業務(僅限互聯網信息業務)))	Guanglian Saixun	27 September 2013	22 November 2026	Submit renewal application 90 days prior to expiration
ICP License (Information services business (Internet information business only)) (增值電信業務經營許可證(信息服務業務(僅限互聯網信息業務)))	Hanhuaxing Technology	21 June 2023	21 June 2028	Submit renewal application 90 days prior to expiration
ICP License (Online Data Processing and Transaction Processing Business (e-commerce only)) (增值電信業務經營許可證(在線數據處理與交易處理業務(僅限經營類電子商務)))	Dijia Smart Cloud	29 December 2023	26 December 2028	Submit renewal application 90 days prior to expiration
Class B certificate of surveying and mapping qualification (乙級測繪資質證書)	Guanglian Saixun	22 November 2016	10 November 2026	Submit renewal application 90 days prior to expiration

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<u>Licence</u>	<u>Holder</u>	<u>First grant date</u>	<u>Expiration date</u>	<u>Renewal requirements</u>
National High and New Technology Enterprise (國家高新技術企業)	Guanglian Saixun	19 June 2015	22 December 2024	Submit renewal application 90 days prior to expiration
National High and New Technology Enterprise (國家高新技術企業)	Guanglian Shuke	16 October 2023	15 October 2026	Submit renewal application 90 days prior to expiration
Capability Maturity Model Integration (CMMI-DEV) V2.0 at Maturity Level 3	Guanglian Shuke	28 October 2022	28 October 2025	Submit renewal application 90 days prior to expiration
GB/T 19001-2016/ISO 9001:2015 Quality Management System Certificate	Guanglian Shuke	27 March 2023	26 March 2026	Submit renewal application 90 days prior to expiration
ISO/IEC 20000-1:2018 Information Technology Service Management Systems Certificate	Guanglian Shuke	8 September 2023	7 September 2026	Submit renewal application 90 days prior to expiration
GB/T 19001-2016/ISO 9001:2015 Quality Management System Certificate	Guanglian Saixun	21 July 2017	20 July 2026	Submit renewal application 90 days prior to expiration
GB/T 22080-2016/ISO/IEC 27001:2013 Information Security Management System Certificate	Guanglian Shuke	1 August 2022	31 July 2025	Submit renewal application 90 days prior to expiration

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<u>Licence</u>	<u>Holder</u>	<u>First grant date</u>	<u>Expiration date</u>	<u>Renewal requirements</u>
Level-3 Information System Security Protection of Information System (網絡系統三級安全等級保護備案證明)	Guanglian Shuke	12 October 2022	N/A	N/A

We renew all existing licences, approvals and permits to comply with the relevant laws and regulations. Our Directors had confirmed that there were no foreseeable major obstacles for us to renew such licences, approvals or permits as at the Latest Practicable Date.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Corporate governance

Compliance management

We have always attached great importance to compliance operation. In strict compliance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》) and other relevant regulations, we developed the Internal Control Management System and Risk Management System to ensure our legal and compliant operation and management, safeguard asset security, ensure the accuracy and integrity of financial reports and related information, enhance operational efficiency and effectiveness, and facilitate our Group in achieving its development strategies.

We integrate the fundamental process of risk management across all aspects of corporate management and operational activities. We actively cultivate a robust risk management culture and establish a comprehensive and well-structured risk management system. Our Board is responsible for the overall design of our risk control system. It formulates objectives and implementation requirements for the risk management system and oversees the effectiveness of the risk management framework, internal control system and organisational structure. The Audit Committee is delegated by our Board with responsibilities to establish and update our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

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Business ethics

To effectively prevent corruption, fraud, and other illicit practices, we have established the Anti-Bribery and Anti-Corruption Management Guidance to enhance the standardised and institutionalised construction of corporate governance and internal controls.

Meanwhile, the Anti-Fraud and Anti-Bribery Governance Committee (the “**Dual Anti-Governance Committee**”) has been established to be responsible for the implementation of anti-fraud and anti-bribery work. The responsibilities of Dual Anti-Governance Committee encompass various aspects, including the enhancement of the company’s anti-fraud and anti-bribery corporate culture, the handling of reports related to violations of the established protocols, investigations, reporting, and appropriate actions.

Also, we have established a reporting mechanism against any unethical situation within the organisation. The mechanism allows both employees and business partners to report any fraudulent, bribery-related, or other improper activities associated with our operations via a designated reporting email. Upon receiving the reports, the Dual Anti-Governance Committee forms a dedicated working group to conduct internal investigations. Following the investigation, an investigation report will be compiled, and appropriate actions will be taken if necessary. At the same time, the whistleblowers’ reports, complaints, or disclosures will be kept confidential to ensure that whistleblowers and investigators will not face retaliation or any form of discrimination, opposition, or adverse consequences.

Indicator	Unit	2023
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period	Cases	0
Anti-corruption training times	Times	3
Average hours of anti-corruption training attended by employees	Hour(s)	0.5

ESG governance

Our Board has the overall responsibility for our Environment, Social and Governance (“**ESG**”) reporting and strategies. Meanwhile, we have established a comprehensive, well-structured, clearly defined, and operationally efficient ESG governance framework. This framework delineates the roles and responsibilities of personnel at various levels, departments, and positions, providing organisational support for the implementation of ESG initiatives within our Group. The ESG committee of our Company (the “**ESG Committee**”) comprises members who are executives and

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directors of the company, led by the general manager. As the highest decision-making body for ESG matters, the ESG Committee is primarily responsible for formulating, reviewing, and overseeing our ESG strategies, plans, execution, and implementation.

Also, each functional department is required to designate an ESG liaison person who assists the department head in implementing the annual ESG work plan and regularly reports to the ESG Committee. The ESG Committee holds regular and ad hoc meetings, with at least one regular meeting per year. After receiving quarterly or annual ESG progress reports from each functional department, the ESG Committee summarises, discusses, and makes decisions on key issues identified in the progress reports.

Materiality assessment

In order to determine the material ESG topics of our Group, we engaged an external consultant to conduct a materiality assessment in 2023. We identified key ESG issues by taking into consideration of the requirements of the ESG Guide, the latest industry trends and peer benchmarking results. The material topics were prioritised based on the stakeholders' feedback in online surveys. Internally, we have solicited feedback from our employees and management. Externally, we have engaged shareholders and investors, customers, the public and community, as well as suppliers and business partners in this exercise. Our Board has reviewed and approved the findings and conclusion of the Materiality Assessment. As advised by our external ESG consultant, our Group's ESG metrics are generally higher than the industry average.

Among the 19 sustainability topics identified, there were seven highly material issues:

- Privacy and Data Security
- Compliance Management
- Customer Service
- Research and Innovation
- Intellectual Property Protection
- Product Quality and Safety
- Employee Training and Development

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Stakeholder engagement

We attach great significance to communication with stakeholders. We engage with our stakeholder groups through various approaches, from casual day-to-day interactions and meetings to formal surveys, to understand their expectations and respond to their concerns. For example, it includes forums and conferences, corporate announcements, investor conferences surveys and interviews.

Social responsibility

Project responsibility

We are dedicated to maintaining the high quality of our products through the effective application of the quality management system. We developed various policies and standards such as Software Project Quality Control and Management Specification to establish the standardised and systematic quality assurance processes, covering quality direction, quality objectives, quality assurance and quality assessment. We also established a Project Management System which set out the responsibilities and processes to ensure the effective execution of R&D projects.

In order to maintain effective product quality control, we have implemented regular quality assessment based on functionality, performance and security. Prior to selling our products, we conduct product testing in accordance with national standards. Based on the testing results, we generate detailed reports summarising the testing process and results and identify the improvement areas to further enhance product quality and performance. Besides, we regularly conduct spot checks at suppliers' production sites to ensure consistency between factory production and product samples.

In the event of product complaints or recalls, we have a robust process in place to address and resolve customer concerns promptly and effectively. Aligned with our Customer Complaint Management Measures, we have established robust customer complaint management procedures to handle and analyse customer complaints and feedback, and make recommendations on remedies. Also, we strive to seek continuous product quality improvement. We conduct monthly quality meetings, where we review the previous month's product quality status and gather market feedback to drive improvements.

Indicator	Unit	2023
Customer complaints on products/services	Case	15
Handling rate of customer complaints	%	100
Complaint response time	Hour	1
Percentage of total products sold or shipped that were subject to recall for safety and health reasons	%	0

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Customer service

Customer satisfaction

By putting customers first, we deliver customer-centric products and services and are dedicated to continuously improving our services. As such, the following digital services are developed and adopted to enhance customer service efficiency and satisfaction:

- **Member benefits service:** Our Dijia SaaS offers member benefits to car user customers of our 4S store customers through high-frequency car life benefits, low-frequency car maintenance benefits and customised benefits by 4S stores.
- **One group serving one customer service:** We establish dedicated WeChat groups for individual stores and car users which allow dedicated teams in insurance, second-hand cars, and repairs to respond to customers’ enquiries on our products and handle ad hoc post-sales service requests in a timely manner.
- **Smart solicitation service:** Using the solicitation of regular maintenance services of car users as an example, our Dijia SaaS offers the linkage among the various steps of individual customer management functions such as user identification, grouping (regular maintenance group grouping), marketing push (regular maintenance group precise marketing) and effect monitoring (push result feedback). Through the transformation of the digital marketing system, the regular maintenance solicitation of car users has become more efficient, and low-cost and results becoming measurable.
- **SaaS marketing and management services:** We provide functions such as direct customer reach, automated data labelling and user management and precise marketing push. These functions empower our 4S store customers to simplify and automate their workflow and help them achieve customer acquisition and enhance their sales performance.

To understand customers’ expectations and opinions regarding the products and services, we conduct customer satisfaction surveys regularly. In 2023, we conducted customer satisfaction surveys to evaluate their satisfaction with the product usage and achieved an overall satisfaction rate of over 90%.

Privacy and data security

We place an unwavering emphasis on data security and the safeguarding of users’ personal information. To achieve this, we have established a comprehensive information security and privacy protection framework. Also, our data security policies such as the Personal Information Security Strategy are in place to effectively implement data

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security protection measures and mitigate information security risks. By adopting a proactive and robust approach, we are dedicated to upholding the highest standards of data protection and ensuring the privacy and security of our users’ personal information.

Our information security and privacy protection framework is built upon internationally recognised standards such as ISO 27001 Information Security Management System, in conjunction with relevant laws and regulations including the Cybersecurity Law (《網路安全法》), YD/T 2781-2014 Telecommunication and Internet Service User Personal Information Protection—Definitions and Classifications (《YD/T 2781-2014 電信和互聯網服務使用者個人資訊保護定義及分類》) and other management specifications. Our use of technology complies with the requirements of the ISO 27001 Information Security Management System, as well as national and local regulations. Our data security policy ensures that data is collected for legitimate purposes and strongly discourages the misuse of technologies that track, analyse and collect user behaviour.

Furthermore, as an additional pillar in our ongoing commitment to safeguarding customer privacy and data security within our exclusive Dijia SaaS and HuGe e-Shield SaaS, we have implemented the Three-level Transparency System. This system has been specifically designed to ensure transparency in data collection, usage, and protection, providing our valued customers and 4S dealers with clear and comprehensive information about how their data is handled. By prioritising transparency, we actively enhance customer trust and further strengthen their privacy and data security.

Research and innovation

Intellectual property protection

To standardise our patent work, promote technological innovation, and establish independent intellectual property rights, the Patent Management Measures is developed in accordance with relevant regulations such as the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) and the Implementing Regulations of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》). Under the guidance of the Patent Management Measures, we utilise patent information to keep track of domestic and international patent applications that are relevant to us.

On the one hand, in cases where the company obtains patent rights through employee inventions, rewards are provided to the inventors or designers of the service inventions in accordance with the relevant provisions of the Patent Law and its implementing regulations. On the other hand, once an employee’s service invention is granted a patent certificate, a copy of the patent certificate is provided to the inventor or designer. The patent and its implementation benefits are recorded in the employee’s technical and business files, serving as important criteria for technical job appointments and promotions. Cash Incentive Policy is also set to the inventors of service inventions.

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Furthermore, we established Computer Software Management Measures, which aims to protect the company’s copyrights in computer software, encourage software development, promote computer application, and regulate the interests involved in software development, dissemination, and use. These measures are developed based on regulations such as the Regulations on the Protection of Computer Software and the Methods for Registration of Computer Software Copyright (《電腦軟體保護條例》、《電腦軟體著作權登記辦法》).

Research and renovation

Apart from the Cash Incentive Policy in Patent Management Measures and Computer Software Management Measures as mentioned above, we also have a strong R&D team, which accounts for approximately 35% of our total workforce, to drive our research and development innovation. Our continuous R&D efforts have obtained multiple certifications and recognitions from various organisations and entities. For instance, we have obtained certifications such as ISO 9001, ISO 20000, CMMI (“Capability Maturity Model Integration”) Level 3, and Information System Security Level 3, and have been recognised as a national high-tech enterprise since 2021.

Our range of in-vehicle hardware products enables connectivity and features such as navigation assistance, collision detection, and online entertainment. These products and services empower our customers at 4S stores to establish stronger connections with their car users and offer comprehensive solutions that encompass hardware, software, and services. Our primary product offerings consist of in-vehicle infotainment systems, in-vehicle safety systems, and core boards. In 2023, we facilitated communication between our 4S store customers, automotive financing and leasing company customers, and their respective car user customers, with a frequency exceeding eight times on average.

Supplier chain management

We have established the Supplier Management System to evaluate and select suppliers, ensuring that they can provide high-quality materials at reasonable prices on a long-term and stable basis, while meeting our environmental, occupational health, and safety requirements. In addition to assessing suppliers’ financial capabilities, business performance, and quality standards such as ISO9001, ISO14001, TS16949, and 3C certification, we also place significant emphasis on environmental standards and human rights protection in manufacturing enterprises, and prioritises cooperation with companies that have performed well according to the results of inspections. For example, we conduct on-site inspections to verify whether labours have a safe working environment and assesses if there were any significant strikes, labour disputes, or whether raw materials, semi-finished products, or other materials in the production process are recycled and comply with China’s national energy-saving and emission reduction policies.

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In addition, to uphold our business ethics principles, ethical clauses are included in procurement contracts. For instance, the suppliers should adhere to the principles of professionalism, transparency, integrity, and fairness throughout the contract period. Also, all forms of corruption and bribery are strictly prohibited. Suppliers are required to establish and implement effective control systems to combat any behaviour that harms the interests of both parties and the public interest. Soliciting, accepting or offering advantages beyond the agreement stipulations, including kickbacks, cash, shopping cards, goods, securities, travel, or other intangible benefits, are strictly prohibited. Any violation constitutes a serious breach, and the contract will be terminated immediately.

Additionally, our Group actively engages suppliers through supplier conferences and provides training on ESG matters to suppliers. For example, we will explore the implementation of sustainable development plans and joint sustainable development initiatives related to new product development within the supply chain based on the industry landscape during the conferences.

Indicator	Unit	2023
Number of total suppliers	number	89
– Mainland	number	89
Number of suppliers with the code of business ethics in their contract terms and conditions	number	89

Talent management

Employment management

Employees are regarded as our most valuable assets. We strictly comply with the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) and other relevant regulations. In addition, we have formulated management policies including Recruitment Management System, Personnel Management System, Employee Benefits Handbook, Compensation Management System and Employee Handbook to standardise employment practices and safeguard the rights and interests of our employees. Child labour and forced labour of any form are strictly prohibited. We strictly review the age and background of all job applicants during the recruitment process. In case of any violation, we would conduct immediate investigations and take appropriate measures.

We provide competitive packages to attract and retain talents. In addition to statutory social insurance and supplementary commercial insurance, we provide our employees with holiday gifts, marriage and childcare gifts, and funeral benefits. Also, employees are entitled to paid annual leave, marriage leave, maternity leave, bereavement leave, breastfeeding leave and prenatal check leave beyond national statutory holidays.

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Employee training and development

We value the growth and development of employees and are dedicated to providing opportunities for our employees to develop their strengths and maximise their potential. We developed the Training Management System and Employee Career Development Management System, and established a systematic training plan and development programme to support the growth and development of our staff at different grades.

We provide equal, fair and transparent promotion channels to support employees in achieving their career goals. We offer a dual career path where employees can choose either the professional or management path based on their preferences and strengths. To enhance employees’ abilities and performance, we have developed a performance management system which encompasses goal setting, performance interviews, performance appraisals and feedback. We conduct performance evaluations quarterly or monthly based on the nature of the employee’s role and award the staff according to their appraisal results.

In order to empower staff at all levels, We provide a wide range of online and offline training tailored to their individual needs and positions, covering general, professional and management skills.

Training evaluations are conducted regularly to assess the effectiveness of the training through surveys, allowing us to continuously improve the quality of training.

Indicators		Unit	2023
Percentage of employees trained (by gender)	Male	%	100
	Female	%	100
Percentage of employees trained (by employee category)	Senior management	%	100
	Middle management	%	100
	Staff	%	100
Average training hours per employee (by gender)	Male	Hours	6.2
	Female	Hours	5.9
Average training hours per employee (by employee category)	Senior management	Hours	5.9
	Middle management	Hours	6.3
	Staff	Hours	6.1

Occupational health and safety

We strictly abide by laws and regulations such as the Work Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》) and the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Fire Protection Law of the People’s Republic of China (《中華人民共和國消防法》). To ensure workplace safety and raise employees’ awareness, we conduct regular inspections of fire-fighting facilities, as well as conduct

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drills and training in emergency response and procedures. Furthermore, safety equipment including first-aid boxes is accessible in easily accessible areas. In the past three years, there were no work-related fatalities occurred.

To promote health and well-being, we organise shoulder and neck massage activities for employees to help them alleviate fatigue and provide weekly sports activities such as badminton, basketball and football. Apart from physical health, we also pay attention to employees’ mental health. A “Tree hole” and “Emotional shredder” mailboxes are set up which allow employees to anonymously raise concerns and express emotions.

Indicator	Unit	2023
No. of work-related fatalities	Cases	0
No. of working days lost due to work-related injuries	Days	0

Diversity and equal opportunity

We strive to build a diverse, equitable and inclusive workplace that enables people with different backgrounds to thrive together. Transparent and fair recruitment, compensation and promotion have been established. Discrimination or harassment on the grounds of gender, nationality, ethnicity, race, religion or disability are not tolerated. Every employee enjoys equal access to our benefits and career opportunities such as promotion and training programs. We are also committed to providing equal pay for equal work for employees across all gender identities.

Additionally, we have established multiple recruitment channels such as campus recruitment, social recruitment and internal referral to attract talent. We exercise fairness throughout the candidate selection process and provide equal interview opportunities for qualified candidates.

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Indicator		Unit	2023
Total number of employees		Person	225
Total number of employees (by employee category)	Senior management	Person	9
	Middle management	Person	24
	Staff	Person	192
Total number of employees (by gender)	Male	Person	126
	Female	Person	99
Total number of employees (by age group)	Age 30 or below	Person	99
	Age between 31 – 50	Person	122
	Age 51 or above	Person	4
Total number of employees (by geographical region)	Mainland China	Person	225
	Overseas	Person	0
	Hong Kong and Macau	Person	0
Total employee turnover rate		%	33.63
Employee turnover rate (by gender)	Male	%	25.81
	Female	%	43.58
Employee turnover rate (by age group)	Age 30 or below	%	45.59
	Age between 31 – 50	%	24.48
	Age 51 or above	%	16.59
Employee turnover rate (by geographical region)	Mainland China	%	33.63
	Overseas	%	0
	Hong Kong and Macau	%	0

Contribution to community and charity

While developing our own business, we uphold social responsibility and actively participate in charitable donations and volunteering. We organised a clothes donation to Baijingyu (白鯨魚), a clothes recycling platform, and collected a total of 108 pieces of used clothes, a piece of 53 toys and 41 pieces of books. Also, we held a charity sale and the money raised was donated to China Children and Teenagers’ Fund (中國兒童少年基金會).

In addition, we actively collaborate with our industry partners to foster the development of standards and guidelines to support industry development. For example, we developed “Purchase specification for automobile decoration products” (《汽車裝飾用品採購規範》) and “Specifications of sales and after-sales services on automobile suppliers” (《汽車用品銷售及售後服務規範》). These guidelines outline the requirements for selling and after-sales services of automotive products, as well as the procurement process of automobile decoration products.

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Environmental responsibility

We adhere to green development and have set long-term goals for green operations.

<u>Long-term Goals</u>	<u>Our Action</u>	<u>Achievements in 2023</u>
Continuous reduction in energy consumption	1. Promote the use of renewable products	Reduce domestic waste intensity; Achieve a reduction in water withdrawal for both office and warehouse areas, as well as our stores
	2. Water conservation	
Progressive reduction in carbon emissions	1. Enhance energy management	Reduce electricity consumption by 5% in office areas, 3% in warehouses and 5% in stores; Reduce vehicle emissions by 5%.
	2. Prioritise the use of natural light	
	3. Purchase energy-efficient appliances	
	4. Encourage public transportation	

Clean technology opportunities

We are committed to providing customers with digital platforms and services to reduce the environmental impact of enterprises in order to promote sustainable development in society.

For example, we launched the voice assistant to realise efficient user communication. It offers customer service calls that integrate the speech experience, tone, dialect and other characteristics of the store renewal specialist. It can effectively help reduce resources required in physical stores such as air-conditioning and lighting use and ultimately reduce electricity use and carbon emissions.

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Waste management

We strictly abide by the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and other relevant laws and regulations and are developing environmental management policies on waste management.

We strive to reduce waste generation and improve resource management in order to minimise the impact of our operation on the environment. For example, we prioritise the use of double-sided and black-and-white printing, promote the use of recyclable products, as well as set up more microwave ovens and refrigerators to encourage employees to bring their lunch boxes.

The hazardous waste including batteries, fluorescent tubes and toner cartridges generated in the office operation is properly stored at designated points and regularly collected by qualified third parties. Based on 2023 generation levels, we have set the following 2024 waste reduction targets.

Indicator	Unit	2023	2024 reduction target
Non-hazardous Waste			
General wastes disposed	tonne	17.55	3%
Paper consumption	tonne	0.7875	4%
Hazardous Waste			
Toner cartridges	tonne	0.05	8%
Fluorescent tubes/LED light tubes	Piece	50	4%
Batteries	piece	15	6%

Water resource management

While strictly following the Water Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國水污染防治法》) and other relevant laws and regulations, we are establishing environmental management policies on water management.

We are committed to the responsible use and management of water resources. Our water used is municipally sourced, which is considered adequate and fit for use, and thus we do not encounter any problems in sourcing water. Yet, we strive to reduce water consumption by taking a series of measures, including posting water-saving signs and conducting regular inspections to ensure the water taps are turned off after use.

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Additionally, we adopt biodegradable and phosphate-free agents to minimise the adverse impacts on water quality. Based on the 2023 consumption level, we have set the following 2024 water consumption reduction targets.

Indicator	Unit	2023	2024 reduction target
Municipal water use	m ³	7,133	6%
Water use Intensity	m ³ per employee	31.7	1%

Energy resource management

We strictly comply with the requirements of the Energy Conservation Law of the People’s Republic (《中華人民共和國節約能源法》) and other relevant laws and regulations and are formulating environmental management policies on energy use management and carbon reduction. Electricity is the key contributor to our energy use and our major indirect source of GHG emissions. To reduce energy consumption, we have been implementing a range of energy-saving initiatives to enhance energy efficiency and raise employee’s awareness of energy conservation.

A few key energy-saving measures are highlighted below:

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| Electrical Lights and Appliances | <ul style="list-style-type: none"> • Use LED for lighting in office areas and maximise the use of natural light where possible; • Conduct regular checking to ensure the lights and appliances are turned off when areas are unoccupied; • Post signs in the conference rooms to remind employees to switch off the air conditioners; • Select energy-efficient products whenever possible when purchasing new electronic appliances |
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| Air Conditioner | <ul style="list-style-type: none"> • Periodically clean the filter and conduct maintenance for the air conditioners to enhance its efficiency; • Set the air conditioner temperature to 26°C; • Keep windows, doors and curtains closed to preserve heat and save energy when using the air conditioners |
| Vehicles | <ul style="list-style-type: none"> • Request vehicle use approval to reduce unnecessary car use and record and verify the vehicle usage record to prevent unnecessary vehicle use |

Based on the energy consumption in 2023, we have set the following targets to reduce energy consumption in 2024.

Indicator	Unit	2023	2024 reduction target
Gasoline consumption	litre	10,500	1%
Electricity consumption	kWh	385,284.73	5%
Electricity consumption intensity	kWh per employee	1,598.69	6%

Response to climate change

Guided by the national goals of carbon peaking and carbon neutrality, we have been actively exploring ways to advance adaptation and mitigation. We recognise the potential impact of climate change on our business. For example, extreme weather events such as floods and storms may seriously affect our business operations and lead to service interruptions. As such, we have established emergency procedures and response mechanisms for extreme weather to mitigate the impact on our business operations. Going forward, we plan to implement climate change action plans for our operations following the Task Force on Climate-Related Financial Disclosure (TCFD) framework.

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We are committed to reducing carbon emissions and minimising our operational carbon footprint. Apart from the aforementioned energy efficiency measures, we encourage employees to adopt green commuting practices, strengthen the approval process for vehicle requests to reduce unnecessary trips and reduce paper consumption to further reduce greenhouse gas emissions. Based on 2023 emissions, we have set the following 2024 carbon emissions reduction target.

Indicator	Unit	2023	2024 reduction target
Scope 1 Emissions	tonnes of carbon dioxide equivalent	22.96	1%
Scope 1 Emissions Intensity	tonnes of carbon dioxide equivalent per fleet	3.83	1%
Scope 2 Emissions	tonnes of carbon dioxide equivalent	4,615.05	5%
Scope 2 Emissions Intensity	tonnes of carbon dioxide equivalent per employee	20.51	1%

ESG metrics peer benchmarking

We selected three peers for peer benchmarking of ESG metrics. Currently, we manage approximately 70 ESG indicators. The number of ESG indicators managed is higher than that of our peers, and the categories of indicators are more diverse and complete. However, as we are in the rapid development stage, the figures of ESG indicators are lower than those of our mature peers, such as the total number of employees, the number of new intellectual property rights filed and the number of patents filed during the reporting period, and so on, which are significantly different from those of our peers. Our resource consumption and greenhouse gas emissions are also much lower than those disclosed by our peers. In environmental indicators, our Scope 1 and Scope 2 greenhouse gas emissions is lower than that of our peers; in social indicators, we have a higher percentage of female employees, but our number of intellectual property rights and the number of hours of training for our employees are slightly lower than that of our peers.

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Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, identifying key performance indicators and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board may assess or engage Independent Third Parties to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, work safety, environmental and social regulations.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal procedures of our Group so as to achieve accountability and adhere to best corporate governance practices, and we are committed to ensure the lawful, ethical and responsible operation of our Group’s businesses. Our Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Hong Kong Listing Rules, and we have put in place internal compliance policies that set out our compliance requirements so as to ensure consistency with the code provisions in the CG Code. The Board is supported by four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee, with delegated responsibilities to oversee our Group’s affairs and are authorised to act on behalf of the Board in accordance with their respective terms of reference and the applicable provisions in the Corporate Governance Code. Each Board committee will review, report and make recommendations to the Board on matters relevant to their roles and responsibilities.

Our Directors have delegated the responsibility of supervising the financial reporting process and internal compliance matters to the audit committee of the Company, which in turn supervises our internal audit function that monitors the daily implementation of our internal compliance policies and conducts internal compliance reviews.

To ensure that the Group’s employees are well-versed with the Group’s requirements on internal control, our employees are required to strictly adhere to the matters to the employee handbook during their employment with the Group. In addition, our Group also provides both regular and ad hoc trainings to our employees to familiarise them with our internal compliance policies and equip them with the necessary knowledge for effective and consistent implementation of our internal compliance policies.

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Our Company is also committed to having a strong independent element of our Board, and our independent non-executive Directors who possess the requisite qualifications and extensive experience in his/her respective areas of expertise and experience, which we believe would allow for effective exercise of independent judgement in our Board. Please refer to "Directors and Senior Management—Independent non-executive Directors" for the experience and qualifications of our independent non-executive Directors".

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors, our Company did not deviate from the applicable code provisions of the CG Code.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as information technology, financial reporting, and internal control. The Audit Committee (with delegated authority from the Board) is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

Data privacy and information security risk management

We pay close attention to risk management relating to our information technology, as storage and protection of our customers' data and users' data from our SaaS and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which sets out detailed, stringent requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols:

- provide limited authorisation to our employees holding specific positions at specific levels to access and process customer data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment; and
- require our employees to obtain customers' authorisations before performing any customer requests.

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We also provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. In addition, employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent.

We also have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimise the risk of data loss. In addition, we conduct data restore tests to examine the status of the backup system on a regular basis. Furthermore, we have set up a specialised information security team which is directly led by Mr. Shen Jian (沈劍先生), our chief technology officer. The information security team is responsible for inspecting and reporting any suspicious data deriving and transmitting activities, as well as enhancing our data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, this team takes charge of reviewing, discussing and improving our technologies in managing information security and our internal control system to ensure adequate protection is given to our data.

Compliance risk management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, suppliers and other business partners. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we also review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient. We have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

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Financial reporting risk management

We have in place a set of policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management, and budget management. We also have procedures in place to implement such policies, and our financial department reviews our management accounts and internal control procedures based on such procedures. In addition, we provide regular training to our financial department staff to ensure that they understand our accounting policies and procedures.

Internal control

It is responsibility of our Board to ensure that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our Group's assets at all times. We have adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- **Code of Conduct.** Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour.
- **Internal audit.** Our internal audit team regularly monitors key controls and procedures in order to assure our management that the internal control system is functioning as intended. The audit committee is responsible for supervising our internal audit function.
- **Anti-corruption and anti-bribery.** Our anti-corruption and anti-bribery policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of the PRC and other countries where we conduct our business operations. In order to comply with the applicable laws and regulations in relation to anti-corruption and anti-bribery, we have established and implemented anti-corruption and anti-bribery policies and measures to prohibit all forms of bribery and corruption acts or intention of such acts. The policy also sets out the requirements of a company-wide anti-bribery and corruption training and disciplinary actions to be taken in situation of violation of the policy and/or relevant laws and regulations, including termination of employment and bringing forward to legal proceedings. We have also put in place a whistle-blowing system which is overseen by the audit committee of our Board.

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- ***Whistleblowing and Investigation.*** The Group has adopted a whistleblowing policy and employees are encouraged to report any suspected behaviours of bribery and dishonesty, as well as other issues related to corporate social responsibility to the Group or the staff committee in confidence and anonymity, either in writing or over the phone. All cases will be properly investigated in a strict, meticulous and timely manner.
- ***Appropriate training.*** We regularly provide training to our Directors, senior management and employees with respect to our internal control policies and the duties and responsibilities of directors and management of [REDACTED] companies under the Listing Rules and other applicable laws and regulations.
- ***Compliance with Listing Rules.*** Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors.

Our Directors are of the view that our current internal control measures are adequate and effective during the Track Record Period and up to the Latest Practicable Date.