长久股份有限公司

# Changjiu Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6959

# 2023
# ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Li Guiping (李桂屏) *(Chairwoman)*
Mr. Bo Shijiu (薄世久) *(Chief Executive Officer)*
Ms. Jia Hui (賈惠)

### Non-executive Director

Ms. Jin Ting (靳婷)

### Independent Non-Executive Directors

Mr. Shen Jinjun (沈進軍)
Mr. Dong Yang (董揚)
Mr. Wang Fukuan (王福寬)

## AUDIT COMMITTEE

Mr. Wang Fukuan (王福寬) *(Chairman)*
Ms. Jin Ting (靳婷)
Mr. Dong Yang (董揚)

## REMUNERATION COMMITTEE

Mr. Shen Jinjun (沈進軍) *(Chairman)*
Mr. Bo Shijiu (薄世久)
Mr. Dong Yang (董揚)

## NOMINATION COMMITTEE

Ms. Li Guiping (李桂屏) *(Chairwoman)*
Mr. Shen Jinjun (沈進軍)
Mr. Dong Yang (董揚)

## JOINT COMPANY SECRETARIES

Ms. Zhang Yexi (張燁茜)
Ms. Tang King Yin (鄧景賢)

## AUTHORISED REPRESENTATIVES

Ms. Li Guiping (李桂屏)
Ms. Tang King Yin (鄧景賢)

## INDEPENDENT AUDITOR

**KPMG**
*Certified Public Accountants*
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

## LEGAL ADVISERS

**As to Hong Kong law:**
Tian Yuan Law Firm LLP
Suites 3304-3309, 33/F
Jardine House
1 Connaught Place
Central
Hong Kong

## COMPLIANCE ADVISER

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

## REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Changjiu Building
No. 99 Shigezhuang Road
Chaoyang District
Beijing
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Harneys Fiduciary (Cayman) Limited**
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL BANKS

**China Merchants Bank Co., Ltd.**
**Shenzhen Huaqiaocheng Branch**
No. 9015-3, Shennan Boulevard
Nanshan District
Shenzhen
China

**Shanghai Pudong Development Bank Limited**
**Shanghai Pilot Free Trade Zone Branch**
22/F No. 588, Pudong South Road
Pudong New District
Shanghai
China

## WEBSITE

www.99digtech.com

## STOCK CODE

6959

# FINANCIAL SUMMARY

The following is a summary of the results and assets and liabilities of Changjiu Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for each of the years ended December 31, 2020, 2021, 2022 and 2023.

## RESULTS

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **641,770** | 547,867 | 477,697 | 430,587 |
| Gross profit | **282,687** | 225,039 | 182,296 | 168,958 |
| Profit before taxation | **117,890** | 127,126 | 93,149 | 109,834 |
| Income tax (expense)/benefit | **(15,567)** | (31,714) | (9,418) | 4,271 |
| Profit for the year | **102,323** | 95,912 | 83,731 | 114,105 |
| Profit for the year attributable to: | | | | |
| equity shareholders of the Company | **102,323** | 95,877 | 83,731 | 114,105 |

## ASSETS AND LIABILITIES

| | As at December 31, | | | |
|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **335,916** | 261,164 | 218,919 | 202,667 |
| Total liabilities | **194,003** | 249,039 | 202,706 | 169,531 |
| Total equity attributable to: | | | | |
| Shareholders of the Company | **141,913** | 12,125 | 16,213 | 33,136 |

# CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the annual results of the Group for the year ended December 31, 2023 (the "**Reporting Period**"). With continuous dedication to pursuing excellence, the Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on January 9, 2024 (the "**Listing Date**"). The Company issued 50,540,000 ordinary shares with a par share of US$0.00000066667 each (the "**Shares**") at an offer price of HK$5.95 per share, raising net proceeds of HK$254.1 million (after deducting the Listing expenses).

## BUSINESS REVIEW

The Company developed steadily in 2023, as reflected by the continuous improvement in its revenue structure and rapid growth in business scale and performance. The revenue increased by RMB93.9 million or 17.1% from RMB547.9 million for the year ended December 31, 2022 to RMB641.8 million for the Reporting Period. During the Reporting Period, the Group primarily generated revenue from pledged vehicle monitoring services, which accounted for 89.6% of the revenue for the year ended December 31, 2023. The gross profit of the Group increased by RMB57.7 million or 25.6% to RMB282.7 million for the Reporting Period from RMB225.0 million for the year ended December 31, 2022.

## FUTURE DEVELOPMENT

The Group plans to improve the pledged vehicle monitoring services, develop an integrated supporting system for the automobile sales and distribution industry, expand the automobile dealership operation management capacity, and so forth. Meanwhile, the Group plans to expand the foreign business and smart business.

We will continue to provide supply chain services to upstream and downstream business partners of new energy vehicle manufacturers, such as suppliers of lithium, electrolytes, separators and other raw materials, manufacturers of batteries, motors and other auto parts and service providers specializing in charging equipment for new energy vehicles, battery recycling, automotive financing, automotive leasing, second-hand vehicle trading and repair and maintenance services, which are complementary to our existing services.

The Groups also plans to deepen the data products and service. Through years of business development, the Group has accumulated a large amount of data related to services in the automobile distribution sector, which can empower the Group to handle targeted risk avoidance and cost control for automobile manufacturer and automobile dealership. By building prediction data models, the Group will make great contributions to automobile manufacturer and automobile dealership, such as optimizing their lead evaluation models and dimensions, improving their conversion efficiency and reducing their operating costs.

The Group believes that there will be sufficient market demand for pledged vehicle monitoring services to accommodate the future plan. Meanwhile, the Group plans to expand the automobile dealership operation management capacity by improving the automobile dealership operation management services and improving the quality of the automobile dealership operation management services.

Yours faithfully,
**Changjiu Holdings Limited**
**Ms. Li Guiping**
*Chairwoman of the Board and Executive Director*
March 28, 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Company was successfully listed on the Stock Exchange on January 9, 2024. The Company issued 50,540,000 Shares at an offer price of HK$5.95 per share, raising net proceeds of HK$254.1 million (after deducting the Listing expenses).

The Group provides pledged vehicle monitoring services and automobile dealership operation management services in China. The Group achieved such dominant position in the pledged vehicle monitoring service market and outcompeted the Group's peers primarily through (i) the years of operation history; (ii) the nationwide presence with operation in over 500 cities across 31 provinces in China; and (iii) the VFS system that collects, processes and analyzes data from pledged vehicles and the Group's continuous improvement of the VFS system to meet evolving market demands.

The Group offer pledged vehicle monitoring services primarily to (i) financial institutions that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles. As of December 31, 2023, the Group provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China's "Big Six" national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 25 automobile finance companies; and (iii) 17,362 automobile dealerships.

During the Reporting Period, the Group primarily generated revenue from pledged vehicle monitoring services, which accounted for 89.6% of the revenue for the year ended December 31, 2023.

In April 2022, the Group started to provide operation management services to automobile dealerships by offering automobile dealership operational support, data system and managerial solutions. As of December 31, 2023, the Group managed a total of 96 automobile dealerships. During the Reporting Period, 10.4% of the Group's revenue was generated from automobile dealership operation management services.

The Group's services capabilities are supported by the digital information infrastructure. The Group uses cloud-based technologies to support the digital information infrastructure, on top of which the Group built systems for data management, data analysis and business operations based on the Group's industry expertise and customer insights. The Group has also applied the VFS system and Vehicle Connect mobile application, RFID labels, PDAs, OBD devices and lockboxes as well as data analytics to optimize the pledged vehicle monitoring services. To better support the provision of automobile dealership operation management services, the Group has adopted an automobile dealership operation management system, namely Smart Star ("智科星"), that is tailored for managing the daily operations of automobile dealerships.

## FUTURE PROSPECTS

The Board considers that the public listing status has impacted the perception of customers towards the Group and believes that the public listing status is a form of complementary advertising which will further enhance the corporate profile, assist in reinforcing the brand awareness and market reputation, enhance the credibility with the public and potential business partners and offer the Company a broader shareholder base which will provide liquidity in the trading of the Shares. In addition, the Board believes that the Listing will enable the Group to gain access to the capital market for future fund raising both at the time of Listing and at later stages which would inevitably assist the Group in the future business development.

As previously disclosed in the prospectus (the "**Prospectus**") of the Company in relation to global offering of its shares (the "**Global Offering**") dated December 29, 2023, the Group plans to improve the pledged vehicle monitoring services, develop an integrated supporting system for the automobile sales and distribution industry, expand the automobile dealership operation management capacity, and so forth. Meanwhile, the Group plans to expand the foreign business and smart business.

The Group believes that there will be sufficient market demand for pledged vehicle monitoring services to accommodate the future plan. Meanwhile, the Group plans to expand the automobile dealership operation management capacity by improving the automobile dealership operation management services and improving the quality of the automobile dealership operation management services.

There was no change in the intended use of net proceeds as previously disclosed in the Prospectus, and the expected timeline for the use of net proceeds will be subject to the business development of the Company. Since the Listing Date and up to the date of this report, the Group has not utilised any portion of the net proceeds, and will utilise the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to "Future Plans and Use of Proceeds" in the Prospectus for details.

## FINANCIAL REVIEW

### Revenue

The Group's revenue primarily generated from two business segments in terms of their nature, namely pledged vehicle monitoring services and automobile dealership operation management services. The revenue increased by RMB93.9 million or 17.1% from RMB547.9 million for the year ended December 31, 2022 to RMB641.8 million for the Reporting Period, which was primarily attributable to (i) the increase of the revenue generated from pledged vehicle monitoring services which was primarily attributable to an increase in the number of the service agreements; and (ii) the increase of the revenue generated from automobile dealership operation management services which was primarily attributable to both the number of automobile dealerships managed by the Group and the earnings per automobile dealership growth.

The following table sets forth a breakdown of the Group's revenue by business line for the years indicated:

| | **For the year ended December 31,** | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Growth** |
| | **Revenue** | | Revenue | | **rate** |
| | **RMB'000** | **%** | RMB'000 | % | % |
| Pledged vehicle monitoring services | **574,992** | **89.6** | 505,049 | 92.2 | 13.8 |
| Automobile dealership operation management services | **66,778** | **10.4** | 42,818 | 7.8 | 56.0 |
| Total | **641,770** | **100.0** | 547,867 | 100.0 | 17.1 |

The Group typically enters into tripartite agreements with financial institutions and automobile dealerships for such services. Although the Group's pledged vehicle monitoring services are designed to help financial institutions manage secured financing provided to automobile dealerships, the Group considers the paying party under such tripartite agreements as the Group's customer, which may be either financial institutions or automobile dealerships, depending on the negotiation among the contracting parties, and the Group considers both financial institutions and automobile dealerships as the Group's users.

The Group's revenue from pledged vehicle monitoring services was primarily derived from independent-third-party users. The following table sets forth a breakdown of revenue from providing the pledged vehicle monitoring services by user ownership for the years indicated.

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Growth** |
| | **Revenue** | | Revenue | | **rate** |
| | **RMB'000** | **%** | RMB'000 | % | **%** |
| Related-party users | **308** | **0.1** | 1,284 | 0.3 | **(76.0)** |
| Independent-third-party users | **574,684** | **99.9** | 503,765 | 99.7 | **14.1** |
| Sub-total | **574,992** | **100.0** | 505,049 | 100.0 | **13.8** |

The following table sets forth a breakdown of revenue from providing the automobile dealership operation management services by user ownership for the years indicated.

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Growth** |
| | **Revenue** | | Revenue | | **rate** |
| | **RMB'000** | **%** | RMB'000 | % | **%** |
| Related-party users | **66,217** | **99.2** | 42,785 | 99.9 | 54.8 |
| Independent-third-party users | **561** | **0.8** | 33 | 0.1 | 1,600.0 |
| Sub-total | **66,778** | **100.0** | 42,818 | 100.0 | 56.0 |

The pledged vehicle monitoring services are the largest source of revenue. For the Reporting Period, the revenue from the pledged vehicle monitoring services was RMB575.0 million, accounting for 89.6% of the Group's total revenue. The increase in revenue in the segment was primarily attributable to an increase in the number of the service agreements.

For the Reporting Period, the revenue from providing the automobile dealership operation management services was RMB66.8 million, accounting for 10.4% of the Group's total revenue. The increase in revenue in the segment was primarily attributable to both the number of automobile dealerships managed by the Group and the earnings per automobile dealership growth.

## Cost of Sales

The Group's cost of sales mainly consists of (i) subcontracting costs, representing service fees for third-party service providers for onsite supervision services in connection with the Group's pledged vehicle monitoring services; (ii) staff costs; (iii) travel and entertainment expenses; (iv) hardware costs, representing procurement costs for RFID labels and scanners; (v) depreciation and amortization; (vi) share-based payment expenses in connection with the grant of certain share options to certain employees; and (vii) others. Given the nationwide layout of the Group's services, the Group outsourced certain services, primarily including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services, to subcontractors to achieve the nationwide business coverage while maintaining high operational efficiency. The onsite supervision services provided by independent third parties on a daily basis are basic and standard services.

For the Reporting Period, the total cost of sales of the Group was RMB359.1 million, which increased by RMB36.3 million or 11.2% as compared to RMB322.8 million for the year ended December 31, 2022 primarily due to the increase in share-based payment expenses in connection with the grant of certain share options to certain employees, travel and entertainment expenses and subcontracting costs.

## Gross Profit and Gross Profit Margin

The gross profit of the Group increased by RMB57.7 million or 25.6% to RMB282.7 million for the Reporting Period from RMB225.0 million for the year ended December 31, 2022 as a result of the net effect of the abovementioned factors for the increase in revenue and cost of sales.

The following table sets forth a breakdown of the gross profit and gross profit margin by business segments for the years indicated:

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **Gross profit RMB'000** | **Gross profit margin %** | Gross profit RMB'000 | Gross profit margin % |
| Pledged vehicle monitoring services | **252,914** | **44.0** | 209,690 | 41.5 |
| Automobile dealership operation management services | **29,773** | **44.6** | 15,349 | 35.8 |
| Total | **282,687** | **44.0** | 225,039 | 41.1 |

For the Reporting Period, the gross profit margin of the Group increased by 2.9 percentage points as compared with 2022, which was primarily attributable to an increase in gross profit margin of automobile dealership operation management services.

The gross profit margin of pledged vehicle monitoring services increased by 2.5 percentage points, as the Group's business continued to grow, the Group realized economies of scale with the support of the Group's technologies, which enabled the Group's subcontractors to supervise multiple automobile dealerships per person at the same time.

The gross profit margin of automobile dealership operation management services increased by 8.8 percentage points, because of economies of scale. Since the Group has established a complete team to conduct automobile operation management services, the relevant resources input remains stable. As a result, the increase of the number of automobile dealerships managed and the earnings per automobile dealership does not lead to more resources input. Therefore the increase of revenue is not accompanied with the same increase of cost.

## Net Other Income

The Group's net other income primarily consists of (i) government grants; (ii) extra deduction of input VAT for the Group's services in accordance with relevant policies; (iii) net exchange gains; and (iv) others.

The following table sets forth a breakdown of the Group's net other income for the years indicated.

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Government grants | **13** | **0.9** | 416 | 26.8 |
| Extra deduction of input VAT | **1,057** | **70.5** | 843 | 54.3 |
| Net exchange gains | **81** | **5.4** | – | – |
| Others | **349** | **23.2** | 293 | 18.9 |
| Total | **1,500** | **100.0** | 1,552 | 100.0 |

The Group's other net income remained stable during 2022 and the Reporting Period.

## Sales and Marketing Expenses

The sales and marketing expenses decreased by RMB1.0 million or 14.1% from RMB7.1 million for the year ended December 31, 2022 to RMB6.1 million for the Reporting Period. The decrease in sales and marketing expenses was primarily due to the decrease in marketing and entertainment expenses to RMB0.8 million from RMB2.6 million for the year ended December 31, 2022.

## Research and Development Expenses

The Group's research and development expenses increased by 50.0% from RMB9.0 million for the year ended December 31, 2022 to RMB13.5 million for the Reporting Period. The increase was primarily due to an increase in the Group's staff costs as a result of an increase in the number of the Group's research and development related employees and an increase in share-based payment expenses associated with the grant of share options to certain employees.

## General and Administrative Expenses

The general and administrative expenses increased by RMB66.5 million or 86.4% from RMB77.0 million for the year ended December 31, 2022 to RMB143.5 million for the Reporting Period. The increase in general and administrative expenses was primarily due to (i) an increase in listing expenses associated with the Global Offering; (ii) an increase in staff costs as a result of an increase in the number of the Group's administrative staff due to business expansion; and (iii) an increase in share-based payment expenses associated with the grant of certain restricted shares and share options to certain employees in the Reporting Period.

## Net Finance Expenses

The net finance expense decreased by RMB1.0 million or 30.3% from RMB3.3 million for the year ended December 31, 2022 to RMB2.3 million for the Reporting Period. The decrease in net finance expense was primarily due to the decrease of interest expense on bank loans in 2023.

## Income Tax Expense and Effective Tax Rate

The income tax expense decreased by RMB16.1 million or 50.8% from RMB31.7 million for the year ended December 31, 2022 to RMB15.6 million for the Reporting Period. In December 2023, Changjiu Jinfu Enterprise Management Consultation (Shenzhen) Co., Ltd. (長久金孚企業管理諮詢（深圳）有限公司) ("**Changjiu Jinfu**") confirmed with related tax authority that it was entitled to be subject to an income tax rate of 15% during the years for the period from January 1, 2022 to December 31, 2025 according to Notice of Taxation on Continuing the Preferential Policies for Enterprise Income Tax in Qianhai Shenzhen Hong Kong Modern Service Industry Cooperation Zone (關於延續深圳前海深港現代服務業合作區企業所得稅優惠政策的通知) issued by the Ministry of Finance (財政部) and the State Taxation Administration (稅務總局). Changjiu Jinfu accrued income tax expense based on income tax rate of 25% in 2022. As a result, Changjiu Jinfu recognized effect of change of tax rate in respect of prior year with an amount of RMB13.1 million in profit or loss of 2023.

Under the Law of the People's Republic of China ("**PRC**") on Enterprise Income Tax (中華人民共和國企業所得稅法) (the "**EIT Law**") and Implementation Regulation of the EIT Law (中華人民共和國企業所得稅法實施條例), the enterprise income tax rate of the Group's PRC subsidiaries is 25%, unless subject to tax deduction or exemption. The effective tax rate of 13.2% for the Reporting Period was lower than the 25% statutory tax rate primarily due to the effect of the abovementioned factors. The effective tax rate of 24.8% for the year ended December 31, 2022 was consistent with the 25% statutory tax rate.

## Profit for the Year and Net Profit Margin

As a result of the foregoing, the net profit increased by RMB6.4 million or 6.7% from RMB95.9 million for the year ended December 31, 2022 to RMB102.3 million for the Reporting Period, and the net profit margin decreased from 17.5% for the year ended December 31, 2022 to 15.9% for the Reporting Period.

## Non-IFRS Measure

To supplement its historical financial information which are presented in accordance with IFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with IFRS. The Group believes that this non-IFRS measure facilitates comparisons of operating performance from year to year by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

The Group defines adjusted net profit as net profit adjusted by adding back listing expenses and share-based compensation expenses in relation to share incentive plans. The Group eliminates the potential impact of these items, which are either non-operating or one-off in nature and are not indicative of the actual operating performance of the Group.

Adjusted net profit (non-IFRS measure), defined as net profit adjusted by adding back the listing expenses and share-based compensation expenses in relation to share incentive plans, for the Reporting Period amounted to RMB154.4 million, representing an increase of 57.6% from RMB98.0 million for the year ended December 31, 2022.

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Profit for the year** | **102,323** | 95,912 |
| **Add:** | | |
| Listing expenses *(Note (i))* | **24,382** | 2,132 |
| Share-based compensation expenses *(Note (ii))* | **27,647** | – |
| **Adjusted net profit for the year (non-IFRS measure)** | **154,352** | 98,044 |

*Notes:*

(i) Listing expenses relate to the Global Offering, which are one-off in nature and are not directly related to our operating activities.

(ii) Share-based compensation expenses relate to the restricted shares and share options that we granted under our share incentive plans, which are non-cash expenses that are commonly excluded from similar non-IFRS measures adopted by other companies in our industry.

## Intangible Assets

The Group's intangible assets primarily reflecting the book value of the Group's VFS system and the North Star System. The Group's intangible assets increased from RMB3.4 million as of December 31, 2022 to RMB8.2 million as of December 31, 2023, primarily due to the purchase of the North Star System from certain related party for the Group's automobile dealership operation management services.

## Right-of-use assets

Our right-of-use assets consisted primarily of leases for offices and apartments for our staff. Our right-of-use assets increased from RMB5.8 million as of December 31, 2022 to RMB6.9 million as of December 31, 2023, primarily due to the extension and rent increase on the lease for our office in Beijing.

## Trade Receivables

The Group's trade receivables primarily represent outstanding amounts due from financial institutions and related parties.

The Group's trade receivables as of December 31, 2023 amounted to RMB159.9 million, representing an increase of RMB58.6 million or 57.8% as compared to RMB101.3 million as of December 31, 2022, primarily as a result of the growth of the Group's business and revenue.

### Prepaid Expenses and Other Current Assets

The Group's prepaid expenses and other current assets primarily consist of (i) amounts due from related parties; (ii) prepaid expenses, primarily representing the listing expenses that will be deducted from equity upon the listing or recognized as expenses and prepaid expenses related to the purchase of certain IT systems for office management; (iii) input valued-added tax recoverable; (iv) deposits, primarily representing deposits paid for business tendering.

The Group's prepaid expenses and other current assets as of December 31, 2023 amounted to RMB23.3 million, representing a decrease of RMB3.7 million or 13.7% as compared to RMB27.0 million as of December 31, 2022, primarily due to a decrease in amounts due from related parties, which was partially offset by an increase in prepaid expenses.

### Trade Payables

The Group's trade payables primarily consist of payments due to the Group's subcontracting service providers. In general, the Group is required to settle subcontracting service fees on a monthly basis.

The Group's trade payables remained relatively stable from RMB28.5 million as of December 31, 2022 to RMB29.6 million as of December 31, 2023.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As of December 31, 2023, the Group had cash and cash equivalents of RMB134.2 million (of which RMB2.4 million was denominated in HK$ (December 31, 2022: Nil), and the rest was denominated in RMB). The Group's total interest-bearing bank loans decreased to RMB20.0 million as of December 31, 2023 from RMB75.0 million as of December 31, 2022.

As of December 31, 2023, the Group had interest-bearing bank loans amounting to RMB20.0 million (2022: RMB75.0 million), which were denominated in RMB with fixed interest rates at 3.85% and 4.6% per annum, and repayable within one year. The gearing ratio (total interest-bearing debts divided by total equity) as of December 31, 2023 was approximately 14.1% (December 31, 2022: 618.6%). The current ratio (total current assets divided by total current liabilities) as of December 31, 2023 was 1.6 (December 31, 2022: 1.0).

The Group finances its working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The Group did not carry out any interest rate hedging policy.

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on January 9, 2024. There has been no change in the capital structure of the Company since then. The share capital of the Company is only comprised of ordinary shares. As of the date of this report, the issued share capital of the Company was US$134.7740072, comprising 202,160,000 Shares with a par value of US$0.00000066667 per Share.

### Capital expenditure and commitments

The Group's capital expenditure in Reporting Period primarily comprised expenditure on property, plant and equipment and intangible assets, amounted to a total of RMB4.5 million (December 31, 2022: RMB1.0 million).

As of December 31, 2023, the Group had capital commitments of RMB13.9 million associated with the acquisition of certain software for office management (December 31, 2022: Nil).

### Pledge of Assets

The Group's trade receivable from financial institutions with carrying values of approximately RMB133.0 million as of December 31, 2023 were pledged to secure certain bank loans granted to the Group (December 31, 2022: Nil).

### Contingent Liabilities

As of December 31, 2023, the Group did not have any contingent liabilities (December 31, 2022: Nil).

### Cash Flow

For the Reporting Period, the net cash generated from operating activities was RMB75.4 million, which was primarily due to the net profit position for the Reporting Period. The net cash generated from investing activities for the Reporting Period was RMB3.7 million, which was primarily due to net receipt from related parties and partially offset by purchase of property, plant and equipment and intangible assets. The net cash used in financing activities for the Reporting Period was RMB64.1 million, which was primarily due to the repayment of interest-bearing bank loans.

### Foreign Exchange Risk

The Group operates its business primarily in the PRC. RMB is the currency used by the Group for valuation and settlement of all transactions. Any depreciation of RMB would adversely affect the value of any dividends paid by the Group to Shareholders outside the PRC. Majority of the Group's cash and cash equivalents is denominated in RMB. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

### Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the Reporting Period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures. As of December 31, 2023, the Group did not hold any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group).

## FUTURE PLANS FOR MAJOR INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from the Global Offering" in this report, the Group did not have any other immediate plans for material investment and capital assets as of the date of this report. The Group may look into business and investment opportunities in different business areas and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

## EMPLOYEES AND REMUNERATION POLICY

The Group employed 451 employees as of December 31, 2023 (December 31, 2022: 424). For the year ended December 31, 2023, the staff cost of the Group (including Directors' remuneration) amounted to approximately RMB133.0 million (2022: RMB73.9 million). To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds. All of the full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. Those who meet or exceed their performance expectation will also be rewarded discretionary bonuses. Selected Director, senior management members and employees were offered to participate in the pre-IPO restricted share plan approved and adopted by the Company on March 7, 2023 (the "**Pre-IPO Restricted Share Plan**") and the pre-IPO share option plan approved and adopted by the Company on March 7, 2023 (the "**Pre-IPO Share Option Plan**").

## EVENTS AFTER THE REPORTING PERIOD

On January 9, 2024, the ordinary shares of the Company were listed on the Stock Exchange, and in connection with the Company's listing, 50,540,000 ordinary shares of the Company were issued through Global Offering at the offer price of HK$5.95 per share for net proceeds of HK$254.1 million.

Save for that, the Group did not have any other significant event after December 31, 2023 and up to the date of this report.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

Ms. Li Guiping (李桂屏) ("**Ms. Li**"), aged 53, our founder and was appointed as our Director on June 16, 2021 and was re-designated as our executive Director and appointed as the chairwoman of our Board on April 12, 2023. Since September 2016, she has been serving as the executive director and general manager in Changjiu Jinfu. Ms. Li is responsible for the overall strategic planning, business policy development and major operational decision-making of our Group.

Prior to joining our Group, from April 2003 to November 2014, Ms. Li served as the president in Jilin Changjiu Industrial Group Co., Ltd. (吉林省長久實業集團有限公司) ("**Changjiu Industrial**"). From July 2007 to November 2014, she also served as the president and chairman of the board of directors in Guangxi Changjiu Automobile Investment Co., Ltd. (廣西長久汽車投資有限公司), a subsidiary of Changjiu Industrial. Since September 2016, Ms. Li has been serving as a director in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569).

Ms. Li graduated from China University of Political Science and Law Graduate School (中國政法大學研究生院) in the PRC in August 1990 with a major in enterprise management. She completed automobile marketing executive management program in business administration (EMBA) from Shanghai Hong Kong University – Fudan University School of Continuing Professional Education (上海香港大學 – 復旦大學專業繼續教育學院) in the PRC in December 2004. She completed advanced development course of market capitalization management of listed companies from PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in April 2015.

Mr. Bo Shijiu (薄世久) ("**Mr. Bo**"), aged 60, our founder and was appointed as our Director on June 16, 2021 and was re-designated as our executive Director and appointed as the chief executive officer on April 12, 2023. He is responsible for the overall operational management of our Group. Mr. Bo and Ms. Li are spouse.

Mr. Bo has over 30 years of experience in the automotive and logistics industry and corporate management. Owing to Mr. Bo's in-depth knowledge and network connections in the automotive logistics industry in China, Mr. Bo has been a key driver of our business strategies and achievements to date. From February 1993 to December 2003, Mr. Bo was the chairman of Fada Automobile Delivery Service Department of First Automobile Work Factory (第一汽車製造廠發達汽車發送服務處). In March 1999, Changjiu Industrial was established and Mr. Bo has been its chairman of the board of directors since then. Since September 2003, Mr. Bo has been the chairman of the board of directors in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司). Under Mr. Bo's leadership, Beijing Changjiu Logistics Corp. successfully completed the listing on the Shanghai Stock Exchange (stock code: 603569) in August 2016. Mr. Bo was appointed as the vice president of China Federation of Logistics & Purchasing (中國物流與採購聯合會) in the PRC and the president of China Automotive Logistics Association of CFLP (中國物流與採購聯合會汽車物流分會) in September 2011 and November 2010 respectively.

Mr. Bo obtained his bachelor degree in business management from Jilin University (吉林大學) in the PRC in July 1997. Mr. Bo obtained the qualification as a certified international logistics specialist (高級物流師) issued by the Ministry of Labour and Social Security of the PRC in June 2009.

Ms. Jia Hui (賈惠),aged 48, joined our Group and served as the vice president of Changjiu Jinfu on November 1, 2017, and was appointed as our vice president on March 23, 2023. She was appointed as our executive Director on April 12, 2023. She is responsible for management of pledged vehicle monitoring services of our Group.

Ms. Jia has over 20 years of experience in automobile dealership operation management services and pledged vehicle monitoring services. Prior to joining our Group, from February 2002 to April 2004, Ms. Jia served as an operating director of brand business department in Henan Fuda Holdings Co., Ltd. (河南富達控股有限公司). From May 2004 to January 2007, Ms. Jia served as vice president in Henan Changjiang Modern Sales Company (河南長江現代銷售公司). From January 2007 to April 2011, she served as a senior manager of operation control department and assistant to president in Changjiu Industrial. From April 2011 to November 2017, she served as a chief operating officer and vice president in Beijing Consultation Branch of Changjiu Industrial (吉林省長久實業集團有限公司北京諮詢分公司). Since November 2017, Ms. Jia has been the head of smart business group of our Group.

Ms. Jia received her bachelor degree in business administration from China Agricultural University (中國農業大學) in the PRC in July 2018 through long distance learning. She completed advanced development course of integration of industry and finance from PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in October 2017. In 2023, Ms. Jia was admitted to the executive management program in business administration (EMBA) provided by Peking University Guanghua School of Management (北京大學光華管理學院). She was qualified as a specially-invited expert in China Automobile Dealers Association Research Institute (中國汽車流通協會凱達研究院) in September 2016. She obtained the title of 2018 supply chain e-commerce leading flag bearer from China E-commerce Innovation Promotion Alliance (中國電子商務創新推進聯盟) in June 2018.

## NON-EXECUTIVE DIRECTOR

Ms. Jin Ting (靳婷), aged 41, joined our Group and was appointed as our non-executive Director on April 12, 2023. She is primarily responsible for providing insights for financial management and business development of our Group.

From June 2006 to October 2017, Ms. Jin served in Beijing Caissa International Travel Agency Co., Ltd. (北京凱撒國際旅行社有限責任公司), where Ms. Jin was the financial manager, business director of financial management center and manager of corporate development department. From November 2017 to March 2020, Ms. Jin served as the assistant president and financial controller in Caissa Tongsheng Travel Agency (Group) Co., Ltd. (凱撒同盛旅行社(集團)有限公司). From June 2017 to October 2019, she was also the deputy finance director in Caissa Tosun Development Co., Ltd. (凱撒同盛發展股份有限公司) (formerly known as Hna-Caissa Travel Group Co., Ltd. (海航凱撒旅遊集團股份有限公司)), a company listed in Shenzhen Stock Exchange (stock code: 000796) and the controlling shareholder of both Beijing Caissa International Travel Agency Co., Ltd. and Caissa Tongsheng Travel Agency (Group) Co., Ltd.. Ms. Jin has been the vice president and financial controller in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569) since November 2020.

Ms. Jin obtained a bachelor degree of accounting from Heilongjiang Institute of Technology (黑龍江工程學院) in the PRC in July 2004 and a master's degree of science in applied accounting and finance from Hong Kong Baptist University (香港浸會大學) in November 2019.

# DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Jinjun (沈進軍), aged 67, was appointed as our independent non-executive Director on December 11, 2023. He is primarily responsible for providing independent advice on the operation and management of our Group.

From October 2005 to September 2014, Mr. Shen served as the vice president and secretary-general in China Automobile Dealers Association (中國汽車流通協會), and has been the president since October 2014. Mr. Shen was appointed as an independent non-executive director of China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份公司), a company listed in Shanghai Stock Exchange (stock code: 600297) from July 2015 to August 2021. He has been appointed as an independent non-executive director of Zhongsheng Group Holdings Ltd. (中升集團控股有限公司), a company listed in the Stock Exchange (stock code: 0881) since November 2009. He has also been appointed as an independent non-executive director of Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569) from December 2013 to February 2023.

Mr. Shen obtained his bachelor degree in electronics from Beijing Open University (北京開放大學) (formerly known as Beijing Radio and Television University (北京廣播電視大學)) in June 1982.

Mr. Dong Yang (董揚), aged 68, was appointed as our independent non-executive Director on December 11, 2023. He is primarily responsible for providing independent advice on the operation and management of our Group.

From April 2000 to August 2007, Mr. Dong was the deputy secretary of the party committee, general manager and director of Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司) (formerly known as Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司)). From July 2007, Mr. Dong started to serve as the executive vice president and secretary general at China Association of Automobile Manufacturers (中國汽車工業協會). Since April 2020, Mr. Dong has been the managing partner and chairman of the board of directors of Beijing Virtue Capital Investment Management Center (Limited Partnership) (北京德載厚投資管理中心(有限合夥)).

Mr. Dong has been appointed as an independent non-executive director of Brilliance China Automotive Holdings Limited (華晨中國汽車控股有限公司), a company listed in the Stock Exchange (stock code: 1114) since May 2021. From May 2009 to March 2016, Mr. Dong was an independent non-executive director of Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a company listed in the Shenzhen Stock Exchange (stock code:000625).

Mr. Dong obtained his bachelor and master degree in automotive from Tsinghua University (清華大學) in the PRC in July 1982 and November 1984, respectively. He was certificated as the senior engineer of researcher's grade (研究員級高級工程師) by China Academy of Machinery Science and Technology (機械科學研究總院) in September 2008.

Mr. Wang Fukuan (王福寬), aged 51, was appointed as our independent non-executive Director on December 11, 2023. He is primarily responsible for providing independent advice on the operation and management of our Group.

From July 1994 to December 1996, Mr. Wang served as an accountant in Jilin Gold Company (吉林省黃金公司). From January 1997 to March 2000, Mr. Wang was the finance department accountant and accountant in charge in Changchun North China Wuhuan Industrial Co., Ltd. (長春北方五環實業股份有限公司). From April 2000 to August 2003, he served as the financial officer in Beijing Dongjiao Minxiang Hotel Co., Ltd. (北京東交民巷飯店有限公司).

From September 2003 to December 2008, Mr. Wang was the financial officer in Zhongjun Insurance Broker (Beijing) Co., Ltd. (中軍保險經紀(北京)有限公司) (formerly known as Hongfu Insurance Brokers (Beijing) Co., Ltd. (宏孚保險經紀(北京)有限公司)). From January 2012 to July 2022, he was the project manager and audit department manager in Beijing Zhongqingrui Certified Public Accountants Co., Ltd. (北京中青瑞會計師事務所有限公司). Mr. Wang has been the audit project partner in Beijing Xingye Certified Public Accountants Co., Ltd. (北京興業會計師事務所有限公司) since September 2022.

Mr. Wang obtained his diploma of accounting in Jilin University (吉林大學) in the PRC in July 1994. He obtained the intermediate professional qualification in accounting (會計中級職稱) from Ministry of Finance of the PRC (中華人民共和國財政部)in May 1999 and the senior accountant (高級會計師) from Jilin Province Department of Finance (吉林省財政廳)in January 2007. He obtained the practicing qualification of tax agent from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and State Taxation Administration of the PRC (國家税務總局)in June 2009. He also obtained the Chinese Certified Public Accountant Certificate (中國註冊會計師證書) from Beijing Institute of Certified of Public Accountants (北京註冊會計師協會) in July 2019.

Save as disclosed in this section, each of our Directors had no other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this prospectus.

Mr. Bo was: (i) a legal representative of Guangxi Changjiu Transportation Co., Ltd. (廣西長久運輸有限責任公司) ("**Changjiu Transportation**"), a company established in the PRC with limited liability principally engaged in highway passenger transportation services, whose business license was revoked on May 28, 2016 because it ceased its business operation and failed to conduct annual inspection on a timely basis under PRC laws; (ii) a responsible person of Jilin Changjiu Industrial Group Co., Ltd., Nong'an Branch (吉林省長久實業有限公司農安分公司) ("**Changjiu Industrial Nong'an Branch**"), the branch office of Changjiu Industrial principally engaged in automotive wholesale and retail, whose business license was revoked on September 9, 2005 because it ceased its business operation and failed to conduct annual inspection on a timely basis under PRC laws. Mr. Bo confirmed that the failure of conducting annual inspection on a timely basis for Changjiu Transportation and Changjiu Industrial Nong'an Branch was due to the employees who were in charge of this matter were negligent in timely filing of inspection documents. Moreover, such companies were solvent when their business licenses being revoked and were not involved in any material non-compliance that led to the revocation of their business licenses. Mr. Bo further confirmed that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there was no outstanding claims and/or liabilities as a result of the revocation of the business licenses of such companies.

# DIRECTORS AND SENIOR MANAGEMENT

Mr. Bo was a legal representative, an executive director and a general manager of Dalian Bonded Zone Changjiu Logistics Limited Company (大連保稅區長久物流有限公司) ("**Dalian Changjiu Logistics**"), a company established in the PRC with limited liability principally engaged in warehousing and logistics agency services. Ms. Li was a supervisor of Dalian Changjiu Logistics. According to the PRC laws, the PRC company's supervisor will not be liable for the revocation of its business license. The business license of Dalian Changjiu Logistics was revoked on June 29, 2006 because it ceased its business operation and failed to conduct annual inspection on a timely basis under PRC laws. Mr. Bo confirmed that the failure of conducting annual inspection on a timely basis for Dalian Changjiu Logistics was due to the employees who were in charge of this matter were negligent in timely filing of inspection documents. Moreover, Dalian Changjiu Logistics was solvent when its business license being revoked and was not involved in any material non-compliance that led to the revocation of its business license. Each of Mr. Bo and Ms. Li further confirmed that, as of the Latest Practicable Date, no claims had been made against him/her and he/she was not aware of any threatened or potential claims made against him/her and there was no outstanding claims and/or liabilities as a result of the revocation of the business license of such company.

Each of our Directors has confirmed that there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of our Shareholders and there was no other information relating to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

## SENIOR MANAGEMENT

Mr. Xu Zhengran (徐征然), aged 46, joined our Group on March 1, 2023, and was appointed as our vice president on March 23, 2023. He is primarily responsible for business segment information system construction, promotion and ecological construction of the automobile logistics service platform, and the new energy innovation business of our Group.

Mr. Xu has over 23 years of industry experience in information technology construction and industrial Internet. Prior to joining our Group, from January 2001 to October 2004, Mr. Xu served as a software engineer and project manager in Venustech Group Inc. (啟明星辰信息技 術集團股份有限公司), a company listed in Shenzhen Stock Exchange (stock code: 002439). From April 2005 to October 2008, Mr. Xu was the director of research and development department at Beijing Star Softcomm Co., Ltd. (北京軟通科技有限責任公司). From October 2009 to May 2013, Mr. Xu was the director of research and development department at G-Net Cloud Service Co., Ltd. (全時雲商務服務股份有限公司). From September 2013 to November 2013, he served as a senior architect responsible at Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), a company listed in the Stock Exchange (stock code: 0700). From August 2015, Mr. Xu started to work as a tech director at Kelly Services (Singapore) Pte. Ltd. From May 2019, he started to work as chief technology officer and vice president at Lonnic Technology Sdn. Bhd. From March 2021 to December 2021, he was the chief technology officer and vice president at the Hebei branch of China United Network Communications Group Co., Ltd. (中國聯合網絡通信有限公司河北省分公司). From April 2022 to October 2022, he was the chief technology officer at Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569). From October 2022 to February 2023, Mr. Xu was the vice president at Xunruida Technology (Beijing) Co., Ltd. (迅睿達科技(北京)有限公司), a wholly-owned subsidiary of Changjiu Industrial.

Mr. Xu obtained his bachelor degree of textile engineering and minored in computer application and maintenance from Dalian Polytechnic University (大連工業大學) (formerly known as Dalian College of Light Industry (大連輕工業學院)) in the PRC in July 2000. He obtained his master degree of software engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in the PRC in December 2008.

Mr. Wang Yuanbin (王元彬), aged 41, joined our Group on April 1, 2022, and was appointed as our vice president on February 1, 2023. He is primarily responsible for the management of automobile dealership operation management services of our Group.

Mr. Wang has over 10 years of experience in the automobile dealership operation management. Prior to joining our Group, from March 2011 to November 2016, he served as the general manager and a sales manager in Henan Changjiu Jisheng Automobile Sales & Service Co., Ltd. (河南長久吉盛汽車銷售服務有限公司). From December 2016 to September 2019, Mr. Wang served as the general manager in Zhengzhou Yuhua Toyota Automobile Sales & Service Co., Ltd. (鄭州裕華豐田汽車銷售服務有限公司). From October 2019 to April 2022, he served as the general manager of the third business division in Beijing branch of Guangxi Changjiu Automobile Investment Co., Ltd. (廣西長久汽車投資有限公司北京分公司).

Mr. Wang graduated from Henan University of Animal Husbandry and Economy (河南牧業經濟學院) (formerly known as Henan Commercial Higher College (河南商業高等專科學校)) in the PRC in July 2007 with a major in e-commerce. He was qualified as a used car appraiser (二手車鑒定評估師) by Henan Automobile Industry Association Practicing Skills Appraisal Station (河南省汽車行業協會職業技能鑒定站) and Henan Practicing Skills Appraisal Guidance Center (河南省職業技能鑒定指導中心) in June 2014. He completed advanced master of business administration (MBA) courses for professional managers of Changjiu Industrial and its subsidiaries (excluding the Group) ("**Changjiu Group**") from Xi'an Jiaotong University School of Management (西安交通大學管理學院) in the PRC in October 2017.

Mr. Tan Zhengyang (談正陽), aged 45, joined our Group and served as our vice president and financial controller on May 25, 2022. Mr. Tan is responsible for financial accounting management and economic accounting of our Group.

Prior to joining our Group, from September 2005 to November 2010, Mr. Tan worked at AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), a company listed in the Stock Exchange (stock code: 2357). From December 2010 to May 2022, Mr. Tan served in Avic Automobile Industry Holding Co., Ltd (中國航空汽車系統控股有限公司) ("**Avic Automobile Industry**"), where he was the deputy chief accountant and the financial accounting department director general. During his tenure in AviChina Automobile Industry, Mr. Tan was assigned to serve as the finance and auditor commissioner of board of director of Nexteer Automotive Group Limited (耐世特汽車系統集團有限公司), a company listed in Hong Kong Stock Exchange (stock code: 1316) and a subsidiary of Avic Automobile Industry. From November 2015 to December 2019, he served as vice president and corporate secretary of Henniges Automotive Holdings, Inc, a subsidiary of Avic Automobile Industry.

Mr. Tan obtained his bachelor degree and master degree in accounting in Central University of Finance and Economic (中央財經大學) in the PRC in June 2001 and June 2007, respectively. Mr. Tan obtained the CPA qualification (註冊會計師) from Beijing CPA Institute in September 2010. He obtained the qualification of intermediate accountant (中級會計師) issued by the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源與社會保障廳) in October 2014. He was also recognized as senior accountant by Avic Corporation of China, Ltd. (中國航空工業集團有限公司) in 2018.

## JOINT COMPANY SECRETARIES

Ms. Zhang Yexi (張燁茜), aged 35, was appointed as the joint company secretary of the Company on April 12, 2023. Ms. Zhang joined our Group as the securities representative on December 1, 2021, and then was appointed as the secretary to the board on March 23, 2023. She is responsible for capital financing, investor relations maintenance, daily operation of the office of the board and the company secretarial matters of our Group.

Prior to joining our Group, from November 2013 to June 2015, Ms. Zhang was the audit manager in Beijing Xingzhonghai Accountant Firm Co., Ltd. (北京興中海會計師事務所有限公司). From June 2015 to June 2019, she was the securities affairs representative in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569). From July 2019 to December 2021, she served in Beijing Yingpu Technology Co., Ltd. (北京影譜科技股份有限公司), where she was an investment director.

Ms. Zhang obtained a bachelor degree of accounting from Shanxi University of Finance and Economics (山西財經大學) in the PRC in October 2011. She also obtained a bachelor degree major in business administration and a master degree major in management (accounting & finance) in Hochschule für Oekonomie und Management (德國埃森經濟與管理高等學院)in September 2011 and July 2013 respectively. Ms. Zhang obtained the qualification of Director Secretary Qualification Certificate (董秘資格證書) from Shanghai Stock Exchange in April 2018. She also passed the qualification examinations of fund practitioner (基金從業人員資格考試) from Asset Management Association of China (中國證券投資基金業協會) in October 2021.

Ms. Tang King Yin (鄧景賢), was appointed as the joint company secretary of the Company on April 12, 2023. Ms. Tang is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Tang has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Tang is currently serving as the joint company secretary of three companies listed on the Stock Exchange of Hong Kong, namely, Tuya Inc. (塗鴉智能) (stock code: 2391), Yum China Holdings, Inc. (百勝中國控股有限公司) (stock code: 9987), and Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司) (stock code: 2509).

Ms. Tang obtained a bachelor degree of business administration from Hong Kong Shue Yan University in July 2011 and a master degree of corporate governance and compliance from the Hong Kong Baptist University in November 2021. Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

# DIRECTORS' REPORT

The Board is pleased to announce the annual report for the year ended December 31, 2023 (the "**Annual Report**") and the audited consolidated financial statements of the Group.

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on June 16, 2021. The Shares of the Company were listed on the Main Board of the Stock Exchange on January 9, 2024.

## PRINCIPAL BUSINESS

The Group is principally engaged in provision of pledged vehicle monitoring services and automobile dealership operation management services in the PRC. The Company is an investment holding company and an analysis of the principal business of its subsidiaries for the Reporting Period are set out in note 14 to the consolidated financial statements.

## RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 99 of the Annual Report.

## FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended December 31, 2023 (2022: Nil).

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

# DIRECTORS' REPORT

## BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial key performance indicators and an indication of likely future developments in the Group's business are set out in the section headed "Management Discussion and Analysis" of this report from pages 6 to 15 and "Chairman's Statement" in this report on page 5.

## ENVIRONMENT POLICY AND PERFORMANCE

The "Environmental, Social and Governance Report for the year ended December 31, 2023" (the "**ESG Report**") is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") under Appendix C2 of the Listing Rules and satisfies the mandatory disclosure requirements and "comply or explain" provisions. The ESG Report follows the four reporting principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the Guide. The ESG Report is set out on pages 67 to 90 of this report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company strictly complied with the following laws and regulation which may have a significant impact on its operation: (a) the laws and regulations relating to pledged vehicle monitoring services and automobile dealership operation management services; and (b) other significant laws and regulations of the PRC affecting the Group's business: the laws and regulations relating to foreign investment, foreign exchange, labour and social security, social insurance and housing fund, taxation, intellectual property, and environment protection.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## RELATIONSHIP WITH STAKEHOLDERS

Stakeholder relationships are crucial in any organization, as they impact the overall success and sustainability of the business. Stakeholders, whether they are customers, employees, suppliers or Shareholders, all play a pivotal role in shaping the future of a company.

Customers are the key stakeholder group. They are the lifeblood of any business, as they provide revenue through purchases and recommendations. Building strong relationships with customers requires a focus on meeting their needs and exceeding their expectations. This can be achieved through excellent service quality and regular engagement to understand their feedback and preferences.

Employees are also critical stakeholders. They are the ones who bring the Company's vision and strategy to life, executing day-to-day operations and driving innovation. A positive work environment, fair compensation, and opportunities for growth and development are essential for maintaining employee engagement and loyalty.

Suppliers play a vital role in ensuring the smooth running of operations. Establishing reliable and trustworthy relationships with suppliers is essential to maximize efficiency.

The Group recognizes the importance to protect the interests of Shareholders and the importance of having an effective communication with them. The Group believes communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback it receives from the Shareholders.

In summary, stakeholder relationships are fundamental to the success of any organization. By fostering positive relationships with customers, employees, suppliers, Shareholders, businesses can create a strong foundation for long-term growth and success.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years are set out on page 4 of this report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the Group's sales to its five largest customers accounted for 56.1% (2022: 51.0%) of the Group's total revenue, and the Group's sales to its largest customer accounted for 18.3% (2022: 16.4%) of the Group's total revenue.

When calculating the five largest customers for the Reporting Period, the Group aggregated revenue contribution from customers under common control and their subsidiaries, joint ventures and associates.

For the Reporting Period, the Group's purchases from its five largest suppliers accounted for 87.9% (2022: 93.6%)of the Group's total procurement costs, and the Group's purchases from its largest supplier accounted for 86.2% (2022: 36.9%) of the Group's total procurement costs.

During the Reporting Period, Changjiu Industrial is one of the five largest customers of the Group. As at the date of this report, Changjiu Industrial is owned as to approximately 82.46% by Mr. Bo and approximately 17.54% by Ms. Li, and Mr. Bo is the executive director and general manager of Changjiu Industrial. Save as disclosed above, during the Reporting Period, none of the Directors of the Company or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on January 9, 2024. The Company issued 50,540,000 ordinary Shares at an offer price of HK$5.95 per share, raising net proceeds of HK$254.1 million (after deducting the Listing expenses) under the Global Offering.

The net proceeds from the Global Offering were intended to be applied in accordance with the section headed "Future Plans and Use of Proceeds" in the Prospectus and with details set out as follow:

| Usage | Percentage of total amount | Planned allocation of net proceeds HK$ million (approximately) | As of the date of this report Utilised amount HK$ million | As of the date of this report Unutilised amount HK$ million (approximately) | Expected timeline for full utilization of proceeds |
|---|---|---|---|---|---|
| Improve the Group's pledged vehicle monitoring services | | | | | |
| • Upgrade and promote our hardware and equipment | 25.0% | 63.6 | – | 63.6 | By the end of 2026 |
| • Increase the features of our software products | 10.0% | 25.4 | – | 25.4 | By the end of 2026 |
| Sub-total | 35.0% | 89.0 | – | 89.0 | |
| Develop an integrated supporting system for the automobile sales and distribution industry | | | | | |
| • Recruit R&D staff | 10.0% | 25.4 | – | 25.4 | By the end of 2026 |
| • Deepen our cooperation with third-party vendors and enhance our R&D capabilities | 10.0% | 25.4 | – | 25.4 | By the end of 2026 |
| • Continue to improve our digital information infrastructure | 10.0% | 25.4 | – | 25.4 | By the end of 2026 |
| Sub-total | 30.0% | 76.2 | – | 76.2 | |
| Expand our automobile dealership operation management capacity | | | | | |
| • Improve our automobile dealership operation management services | 11.5% | 29.2 | – | 29.2 | By the end of 2026 |
| • Improve the quality of our automobile dealership operation management services | 3.5% | 8.9 | – | 8.9 | By the end of 2026 |
| Sub-total | 15.0% | 38.1 | – | 38.1 | |

| Usage | Percentage of total amount | Planned allocation of net proceeds HK$ million (approximately) | As of the date of this report Utilised amount HK$ million | Unutilised amount HK$ million (approximately) | Expected timeline for full utilization of proceeds |
|---|---|---|---|---|---|
| Expand the Group's sales and marketing capacity | | | | | |
| • Expand our ground marketing teams | 5.8% | 14.7 | – | 14.7 | By the end of 2026 |
| • Expand our online marketing and promotion capacity | 4.2% | 10.7 | – | 10.7 | By the end of 2026 |
| Sub-total | 10.0% | 25.4 | – | 25.4 | |
| General business operations and working capital | 10.0% | 25.4 | – | 25.4 | N/A |
| **Total** | **100%** | **254.1** | **–** | **254.1** | |

The net proceeds are currently held in bank deposits and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus. For further information, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## SHARE CAPITAL

Details of the movements in the share capital of the Company for the Reporting Period are set out in note 24(a) to the consolidated financial statements.

## EQUITY-LINKED AGREEMENT

Save as disclosed in this report, there were no equity-linked agreements entered into by the Company or any of its subsidiaries for the Reporting Period or subsisted as at December 31, 2023.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 103 of this report.

## DONATIONS

During the Reporting Period, no charitable and other donation was made by the Group (2022: Nil).

## PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended December 31, 2023 are set out in note 11 to the consolidated financial statements of this report.

## RESERVES AVAILABLE FOR DISTRIBUTION

As at December 31, 2023, the Company had no reserve available for distribution to Shareholders (2022: Nil).

## BANK LOANS

During the Reporting Period, save as the bank loans as disclosed in note 18 to the consolidated financial statements, the Group did not have any bank loans and other borrowings.

### Directors

Since the Listing Date and up to the date of this report, the Directors were as follows:

**Executive Directors**
Ms. Li Guiping *(Chairwoman)*
Mr. Bo Shijiu *(Chief Executive Officer)*
Ms. Jia Hui

**Non-executive Director**
Ms. Jin Ting

**Independent Non-Executive Directors**
Mr. Shen Jinjun
Mr. Dong Yang
Mr. Wang Fukuan

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" in this report.

In accordance with article 84 of the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Further, article 83(3) of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the first general meeting after his/her appointment and shall be eligible for re-election at that meeting.

In accordance with the Articles of Association, Ms. Li Guiping, Mr. Bo Shijiu, Ms. Jia Hui, Ms. Jin Ting, Mr. Shen Jinjun, Mr. Dong Yang and Mr. Wang Fukuan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

## CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company is of the opinion that they are independent from the Listing Date up to the date of this report.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years commencing from the Listing Date until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior written notice.

Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company with an initial term of three years commencing from the Listing Date until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors nominated for re-election at the forthcoming AGM of the Company has entered into a service contract or letter of appointment with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

## NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Group, Ms. Li, Mr. Bo and the entities controlled by them, namely Brighht Limited, Brightio Limited, Advancey Limited, Advancd Limited, Creationn Limited and CreateCube Limited, (the "**Controlling Shareholders**"), has entered into a deed of non-competition dated December 11, 2023 (the "**Undertakings**") details of which are disclosed in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus. The Controlling Shareholders have confirmed to the Company that, since the Listing Date and up to the date of this report, they have complied with the Undertakings. The independent non-executive Directors had reviewed the status of compliance and the confirmation provided by each of the Controlling Shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from all of them regarding the Undertakings; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the independent non-executive Directors are of the view that the Undertakings have been complied with and been enforced by the Company in accordance with the terms.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this report.

## DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in this report, during the Reporting Period and up to the date of this report, none of the Company or any of its subsidiaries is a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of the Rule 13.51(2) of the Listing Rules from the Listing Date to the date of this report.

## DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration of the Directors is paid in the form of salaries, allowances, benefits in kind, discretionary bonuses, pension scheme contributions and share-based payments.

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules (with effect from the Listing Date) and with written terms of reference in compliance with the Corporate Governance Code contained in Appendix C1 to the Listing Rules.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, to establish a formal and transparent procedure for developing policy to review the terms of incentive schemes and directors' service contracts, and to recommend the remuneration packages for all Directors and senior management.

Certain Directors and the senior management members were offered to participate in the Pre-IPO Restricted Share Plan and the Pre-IPO Share Option Plan, both approved and adopted by the Company on March 7, 2023.

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements of the Group in this report. None of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the Reporting Period.

## DEFINED CONTRIBUTION RETIREMENT PLAN

The Group does not have any employee who is required to participate in mandatory provident fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed defined contribution retirement plan operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the defined contribution retirement plan to fund the benefits. The only obligation of the Group with respect to this defined contribution retirement plan is to make the required contributions under the scheme. The forfeited contributions may not be used by the Group to reduce the existing level of contributions.

## PERMITTED INDEMNITY PROVISION

Each Director is entitled to be indemnified by the Company against all losses or liabilities which he/she may sustain or incur in carrying out his/her functions. Such permitted indemnity provision was in force throughout the Reporting Period. The Company has also arranged appropriate insurance in respect of potential legal actions against the Directors arising out of corporate activities during the Reporting Period.

## SHARE INCENTIVE SCHEMES

## PRE-IPO SHARE INCENTIVE PLANS

### 1. Pre-IPO Restricted Share Plan

The following is a summary of the principal terms of the Pre-IPO Restricted Share Plan approved and adopted by the Company on March 7, 2023. The Pre-IPO Restricted Share Plan is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of restricted shares by the Company after the Listing.

*(a) Purposes*

The purpose of this Pre-IPO Restricted Share Plan is to enable the Company to attract and retain highly qualified personnel who had and will contribute to the Company's success and to provide incentives to participants that are linked directly to increases in shareholder value and will therefore inure to the benefit of all shareholders of the Company (the "**Shareholders**").

*(b) Eligible Participants*

Persons eligible to receive the restricted shares (the "**Restricted Share(s)**") under the Pre-IPO Restricted Share Plan are officers, directors, employees or consultants of the Group selected by the Board, in its sole discretion.

Each selected participant has entered into a restricted share subscription agreement (the "**Restricted Share Agreement(s)**") with the Company for issue and subscription of the Restricted Shares under the Pre-IPO Restricted Share Plan.

*(c) Subscription of the Restricted Shares*

As of the date of this report, an aggregate of 1,620,000 Restricted Shares, representing approximately 0.80% of the total issued share capital of our Company, were issued to the Yuanshenghe (Shanghai) Enterprise Management Partnership (Limited Partnership) (元聖禾(上海)企業管理合夥企業(有限合夥)) ("**Restricted Share SPV**"), the limited partners of which are the five participants of the Pre-IPO Restricted Share Plan, including one Director, three senior management members and one of the joint company secretaries. The Restricted Shares have been issued on a one-off basis and no Shares will be issued under the Pre-IPO Restricted Share Plan after the Listing.

Particulars of the Restricted Shares issued to the Director and senior management members are set forth below:

| Name of participants | Position held within our Group | Number of Restricted Shares | Approximate shareholding percentage [(1)] |
|---|---|---|---|
| ***Director of our Company*** | | | |
| Jia Hui (賈惠)[(2)] | Executive Director and vice president | 600,000 | 0.30% |
| ***Senior management of our Company (excluding that who is also Director)*** | | | |
| Xu Zhengran (徐征然)[(2)] | Vice president | 300,000 | 0.15% |
| Wang Yuanbin (王元彬)[(2)] | Vice president | 240,000 | 0.12% |
| Tan Zhengyang (談正陽)[(2)] | Vice president and financial controller | 240,000 | 0.12% |
| ***Other participant*** | | | |
| Zhang Yexi (張燁茜)[(2)] | Company secretary | 240,000 | 0.12% |
| **Total** | | 1,620,000 | 0.80% |

*Notes:*

(1) The percentage is calculated based on the number of Shares in issue as of the date of this report.

(2) The Restricted Shares issued to the participants were held by the Restricted Share SPV, the limited partners of which are the participants the Pre-IPO Restricted Share Plan.

## 2. Pre-IPO Share Option Plan

The following is a summary of the principal terms of the Pre-IPO Share Option Plan approved and adopted by the Company on March 7, 2023. The terms of the Pre-IPO Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Plan will not involve the grant of options by the Company to subscribe for Shares after the Listing.

### (a) *Purposes*

The purpose of the Pre-IPO Share Option Plan is to enable the Company to attract and retain highly qualified personnel who had and will contribute to the Company's success and to provide incentives to participants that are linked directly to increases in shareholder value and will therefore inure to the benefit of all shareholders of the Company.

### (b) *Eligible Participants*

Persons eligible to receive grants of options (the "**Option(s)**") under the Pre-IPO Share Option Plan are officers, directors, employees or consultants of the Group selected by the Board, in its sole discretion.

Each selected participant has entered into a share option subscription agreement (the "**Share Option Agreement(s)**") with the Company, in such form as the Board shall determine, which Share Option Agreement shall set forth, among other things, the exercise price of the Option, the term of the Option and exercisability of the option granted.

### (c) *Administration*

The Pre-IPO Share Option Plan shall be administered by the Board. Pursuant to the terms of the Pre-IPO Share Option Plan, the Board shall have the power and authority:

(i) to select eligible participants;

(ii) to determine whether and to what extent Options are to be granted to participants;

(iii) to determine the number of Options to be granted;

(iv) to determine the terms and conditions of Options granted; and

(v) to determine the terms and conditions of all written instruments evidencing Options granted.

Subject to provisions of the Articles, the Board shall have the authority, in its sole discretion, to adopt, alter and repeal such administrative rules, guidelines and practices governing the Pre-IPO Share Option Plan as it shall from time to time deem advisable, to interpret the terms and provisions of the Pre-IPO Share Option Plan and any Option issued under the Pre-IPO Share Option Plan (and any Share Option Agreement relating thereto), and to otherwise supervise the administration of the Pre-IPO Share Option Plan.

All decisions made by the Board pursuant to the provisions of the Pre-IPO Share Option Plan shall be final, conclusive and binding on all persons, including the Company and the participants.

(d) *Maximum number of Shares*

The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Pre-IPO Share Option Plan at any time shall not exceed 10,199,730 Shares, representing 5.05% of the total issued Shares immediately following the completion of the Global Offering.

(e) *Vesting Schedule and Conditions*

The Options shall become vested at such time or times and subject to fulfilment of the performance target and other terms and conditions set by the Board and reflected in the Share Option Agreement provided that the maximum percentage of the Options which shall become vested upon each anniversary of the date on which the participant is granted, as set forth on the Share Option Agreement is 25%.

(f) *Exercise of option*

To any given participant, the per share exercise price of shares purchasable under an Option shall be such price as determined by the Board and set forth in the Share Option Agreement, subject to adjustments that might be made by the Board at its sole discretion.

Unless otherwise provided in the Pre-IPO Share Option Plan or otherwise determined by the Board, vested options may be exercised in whole or in part at any time after the Listing, by giving written notice of exercise to the Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate exercise price of the Shares.

(g) *Term of the Pre-IPO Share Option Plan*

No Option shall be granted pursuant to the Pre-IPO Share Option Plan on or after the latest practicable date prior to the printing of the prospectus, but Options granted may remain effective beyond that date. The term of each Option shall be fixed by the Board, but no Option shall be exercisable more than ten years after the date such Option is granted.

(h) *Outstanding options granted*

The grant of Options under the Pre-IPO Share Option Plan to the participants as set out below was approved by the Board on March 7, 2023. The overall limit on the number of underlying Shares pursuant to the Pre-IPO Share Option Plan is 10,199,730 Shares. The number of underlying Shares pursuant to the Options amounts to 10,199,730 Shares, representing 5.05% of the total issued Shares immediately following the completion of the Global Offering and 5.05% of the total issued Shares as of the date of this report.

The table below sets out the details of Options granted to all participants under the Pre-IPO Share Option Plan:

| Name | Number of Options outstanding as at January 1, 2023 | Number of Options granted during the Reporting Period[1] | Date of grant | Option period | Number of Options exercised during the Reporting Period | Number of Options lapsed during the Reporting Period | Number of Options cancelled during the Reporting Period | Number of Options outstanding as at December 31, 2023[2] |
|---|---|---|---|---|---|---|---|---|
| ***Director*** | | | | | | | | |
| Jia Hui (賈惠) | 0 | 500,000 | March 7, 2023 | 10 years from the date of the grant | 0 | 0 | 0 | 500,000 |
| ***Senior management (excluding that who is also Director)*** | | | | | | | | |
| Xu Zhengran (徐征然) | 0 | 430,000 | March 7, 2023 | 10 years from the date of the grant | 0 | 0 | 0 | 430,000 |
| Wang Yuanbin (王元彬) | 0 | 360,000 | March 7, 2023 | 10 years from the date of the grant | 0 | 0 | 0 | 360,000 |
| Tan Zhengyang (談正陽) | 0 | 360,000 | March 7, 2023 | 10 years from the date of the grant | 0 | 0 | 0 | 360,000 |
| ***Employees*** | | | | | | | | |
| Other employees (excluding senior management) | 0 | 8,549,730 | March 7, 2023 | 10 years from the date of the grant | 0 | 1,041,855 | 0 | 7,507,875 |

*Notes:*

(1) The Options were granted to the participants at nil consideration, and the per share exercise price of the Options granted was RMB6.67.

(2) On every vesting date, the underlying Shares in respect of the Options may be vested in the participants in accordance with the vesting schedule as disclosed in sub-paragraph (e) above, subject to fulfilment of the performance target set by the Board and terms and conditions as determined by the Board and reflected in the Share Option Agreement.

(3) The closing price of the Shares immediately before the date on which the Options were granted was not applicable as the Company was not yet listed at the time of the grants.

(4) For details of fair value of Options and the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of Options, please refer to Notes 2 and 23 to the consolidated financial statements in this report.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

The Company's shares were listed on the Stock Exchange on January 9, 2024. Therefore, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") did not apply to the Company as at December 31, 2023.

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in Appendix C3 under the Listing Rules, are set out below:

### Interests of Directors in the Company

### (i) Interests in the Shares of the Company

| Name of Director/ chief executive | Nature of interest(1) | Number of Shares Held/Interested | Approximate percentage of shareholding(2) |
|---|---|---|---|
| Ms. Li Guiping (李桂屏) | Interest in controlled corporation(3) | 60,000,000 | 29.68% |
| | Interest of spouse/ Interest of concert parties(4)(5) | 90,000,000 | 44.52% |
| Mr. Bo Shijiu (薄世久) | Interest in controlled corporation(6) | 90,000,000 | 44.52% |
| | Interest of spouse/ Interest of concert parties(4)(5) | 60,000,000 | 29.68% |
| Ms. Jia Hui (賈惠) | Interest in a controlled corporation(7) | 1,620,000 | 0.80% |

*Notes:*

(1) All interests stated are long positions.

(2) The percentage is calculated based on the number of Shares in issue as of the date of this report.

(3) Ms. Li Guiping wholly owns Brightio Limited, which in turn wholly owns Brighht Limited, therefore Ms. Li is deemed to be interested in the Shares directly held by Brighht Limited by virtue of the SFO.

(4) Ms. Li Guiping and Mr. Bo Shijiu are the spouse of one another. Therefore, each of them is deemed to be interested in all the Shares the other party is interested in by virtue of the SFO.

(5) Pursuant to a concert party confirmation dated March 1, 2023 entered into between Ms. Li Guiping and Mr. Bo Shijiu, they have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. See "History, Reorganization and Corporation Structure–Concert Party Confirmation" in the Prospectus for details. As such, Ms. Li and Mr. Bo, together with their wholly-owned companies, are all deemed to be interested in the total Shares directly held by Brighht Limited, Advancey Limited and Creationn Limited by virtue of the SFO.

(6) Mr. Bo Shijiu wholly owns Advancd Limited and CreateCube Limited, which in turn wholly own Advancey Limited and Creationn Limited, respectively, therefore Mr. Bo is deemed to be interested in the Shares directly held by Advancey Limited and Creationn Limited by virtue of the SFO.

(7) Ms. Jia Hui is a limited partner of the Restricted Share SPV, in which she holds more than one-third of the partnership interest, therefore Ms. Jia Hui is deemed to be interested in the Shares directly held by the Restricted Share SPV by virtue of the SFO.

## (ii) Interest in underlying Shares of the Company

| Name of Director | Nature of interest(1) | Number of underlying Shares subject to the Pre-IPO Share Options | Approximate percentage shareholding(2) |
|---|---|---|---|
| Ms. Jia Hui | Beneficial interest | 500,000 | 0.25% |

*Notes:*

(1) All interests stated are long positions.

(2) The percentage is calculated based on the number of Shares in issue as of the date of this report.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as is known to the Company, as at the date of this report, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following entities, other than a Director or chief executive of the Company, had an interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, are set out below:

### Interests of Substantial Shareholders in the Company

| Name of Shareholder | Nature of interest(1) | Number | Approximate percentage(2) |
|---|---|---|---|
| Brightio Limited | Interest in controlled corporation(3) | 60,000,000 | 29.68% |
| Brighht Limited | Beneficial interest(3) | 60,000,000 | 29.68% |
| Advancd Limited | Interest in controlled corporation(4) | 82,500,000 | 40.81% |
| Advancey Limited | Beneficial interest(4) | 82,500,000 | 40.81% |

*Notes:*

(1) All interests stated are long positions.

(2) The percentage is calculated based on the number of Shares in issue as of the date of this report.

(3) Brighht Limited is indirectly wholly owned by Ms. Li Guiping through Brightio Limited. Therefore, each of Ms. Li and Brightio Limited is deemed to be interested in all the Shares directly held by Brighht Limited by virtue of the SFO.

(4) Advancey Limited is wholly owned by Mr. Bo Shijiu through Advancd Limited. Therefore, each of Mr. Bo and Advancd Limited is deemed to be interested in all the Shares directly held by Advancey Limited by virtue of the SFO.

Save as disclosed above, as at the date of this report, the Company had not been notified of any persons/entities (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under section 336 of the SFO.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, no transactions, arrangements or contracts of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were not listed on the Stock Exchange during the year ended December 31, 2023. From the Listing Date to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

## CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, no contracts of significance (i) in relation to the Group's business; or (ii) for provision of services to the Company (or any of its subsidiaries) by a controlling shareholder (or any of its subsidiaries) between the Company (or any of its subsidiaries) and a controlling shareholder (or any of its subsidiaries) subsisted during or at the end of the Reporting Period.

## CONTINUING CONNECTED TRANSACTIONS

The Company was listed on the Main Board of the Stock Exchange since January 9, 2024 and was not a listed company during the Reporting Period. After the Listing, transactions between members of the Group and the connected persons became connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's continuing connected transactions which are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rule, the terms of which became effective on the Listing Date, are set out below.

### Connected persons

The table below sets forth the Company's connected person and the nature of its relationship with the Group:

| Connected person | Connected relationship |
|---|---|
| Changjiu Industrial | a company owned by Ms. Li and Mr. Bo as to approximately 17.54% and 82.46%, respectively, and hence an associate of the Controlling Shareholders |

## SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

| Continuing connected transactions | | Proposed annual cap for the years ended/ending December 31, 2023 | 2024 | 2025 |
|---|---|---|---|---|
| (1) | Automobile Dealership Operation Management Service Framework Agreement | 72,000 | 85,000 | 95,000 |
| (2) | Entrustment Agreement | 31,000 | 20,000 | N/A |

## (1) Automobile Dealership Operation Management Service Framework Agreement

### Principal terms

On December 11, 2023, our Company and Changjiu Industrial, for themselves and on behalf of their respective subsidiaries, entered into an automobile dealership operation management service framework agreement (the "**Automobile Dealership Operation Management Service Framework Agreement**"), pursuant to which our Group shall provide operation management services to automobile dealerships owned by Changjiu Group in exchange for service fees payable by Changjiu Group.

The initial term of the Automobile Dealership Operation Management Service Framework Agreement commenced on the Listing Date and will expire on December 31, 2025, such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

### Reasons for and benefits of the transactions

We make profit from providing management systems to automobile dealerships leveraging our management experience and insight in the automobile dealership industry. Changjiu Group, with its national presence of automobile dealerships, has secured a place in automobile dealership industry. As such, our services provided to Changjiu Group under the Automobile Dealership Operation Management Service Framework Agreement are in the ordinary and usual course of our business. Given that Changjiu Group has abundant automobile dealership store resources, offering our automobile dealership operation management services to Changjiu Group would consolidate our revenue sources and hedge the operational risks resulting from the evolving market. In addition, the terms we offered to Changjiu Group are no less favorable to us than those offered to our other customer which is an Independent Third Party. Therefore, our automobile dealership operation management services provided to Changjiu Group are profitable and are in the interests of our Group and the Shareholders as a whole.

### Pricing policy

The management service fees payable by Changjiu Group to us are generally determined by a pre-determined percentage of the pre-tax annual operating revenue (or the revenue during the term of the management agreement if such term is less than one year) of the automobile dealership stores. The aforesaid pricing policies are no less favorable to us than those available to our other Independent Third Party customer.

### Annual caps

The proposed annual caps for the operation management service fees payable by Changjiu Group to our Group under the Automobile Dealership Operation Management Service Framework Agreement for the three years ending 2025 are set out below:

| Proposed annual caps for the years ended/ending December 31, | | |
|---|---|---|
| **2023** | **2024** | **2025** |
| | *(RMB in thousands)* | |
| 72,000 | 85,000 | 95,000 |

During the Reporting Period, the operation management service fees generated from Changjiu Group to the Group under the Automobile Dealership Operation Management Service Framework Agreement was RMB66.2 million, which fall within the proposed annual cap as set out above.

### Listing Rules Implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction, on an annual basis, exceeds 5%, such transaction, constitutes continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## (2) Entrustment Agreement

### Principal terms

On April 26, 2023, Changjiu Jinfu and Changjiu Industrial entered into a pledged vehicle monitoring service entrustment agreement (the "**Entrustment Agreement**"). Pursuant to the Entrustment Agreement, Changjiu Jinfu was exclusively entrusted by Changjiu Industrial to provide the pledged vehicle monitoring services under the Unassigned Agreements (as defined below) previously entered into between Changjiu Industrial and relevant financial institutions and automobile dealerships. In exchange for the services provided by Changjiu Jinfu under such entrustment arrangement, Changjiu Industrial shall pay Changjiu Jinfu service fees.

The term of the Entrustment Agreement commenced from November 30, 2021 and will expire on December 31, 2024, being the projected date of completing the assignment of the Unassigned Agreements from Changjiu Industrial to Changjiu Jinfu at the latest.

### Reasons for and benefits of the transactions

Since the establishment of Changjiu Jinfu in September 2016, Changjiu Industrial has been gradually restructuring the pledged vehicle monitoring service business into Changjiu Jinfu. As of the date of this report, the rights and obligations of Changjiu Industrial under 484 pledged vehicle monitoring service agreements (the "**Unassigned Agreements**") with certain financial institutions and automobile dealerships had not been transferred from Changjiu Industrial to Changjiu Jinfu. See the section headed "History, Reorganization and Corporate Structure" of the Prospectus for further details of the business transfer. As a transitional arrangement, as well as to maintain clear delineation and avoid material competition between the business operated by Changjiu Group and our Group, we entered into the Entrustment Agreement with Changjiu Industrial to ensure that Changjiu Industrial does not provide any pledged vehicle monitoring services to the users under the Unassigned Agreements. See the section headed "Relationship with Our Controlling Shareholders–Delineation of Business" of the Prospectus for details. Furthermore, as we are the largest pledged vehicle monitoring service provider in China's automobile sales and distribution industry, our services provided to Changjiu Industrial under the Entrustment Agreement are in the ordinary and usual course of our business. Therefore, the transactions contemplated under the Entrustment Agreement are profitable and in the interests of our Group and the Shareholders as a whole.

### Pricing policy

The entrusted pledged vehicle monitoring service fees payable by Changjiu Industrial to Changjiu Jinfu shall equal to the service fees payable by the relevant users to Changjiu Industrial under the Unassigned Agreements, which are determined after arm's length negotiation between such users and Changjiu Industrial on a cost-plus basis taking into consideration the average local salary and the manpower required. The service fees payable by Changjiu Industrial are no less favorable to us than those we receive from the Independent Third Party customers.

### Annual caps

The proposed annual caps for the entrusted pledged vehicle monitoring service fees payable by Changjiu Industrial to Changjiu Jinfu under the Entrustment Agreement for the two years ending December 31, 2024 are set out below:

| Proposed annual caps for the years ended/ending December 31, | |
|---|---|
| **2023** | **2024** |
| *(RMB in thousands)* | |
| 31,000 | 20,000 |

During the Reporting Period, the entrusted pledged vehicle monitoring service fees generated from Changjiu Industrial to Changjiu Jinfu under the Entrustment Agreement was RMB26.1 million, which fall within the proposed annual cap as set out above.

### Listing Rules Implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction, on an annual basis, exceeds 5%, such transaction, constitutes continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Annual Review by the independent non-executive Directors and the Auditors

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Company; and

(iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board containing its findings and conclusions, confirming that:

(i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the abovementioned continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the annual cap set by the Company.

Save as disclosed in this report, for the year ended December 31, 2023 and up to the date of this report, the Company had no connected transactions or continuing connected transactions which were required to be disclosed pursuant to Chapter 14A of the Listing Rules. Details of related party transactions entered into by the Group during the Reporting Period are disclosed in Note 26 to the consolidated financial statements. Save as disclosed above, related party transactions disclosed in Note 26 do not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules, or are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules.

## AUDITOR

The consolidated financial statements of the Company for the Reporting Period have been audited by KPMG. There has been no change of independent auditors for the Reporting Period and up to the date of this report.

## AUDIT COMMITTEE

The Audit Committee had, together with the Company's management and representative(s) of the external auditors of the Company, KPMG, reviewed the annual results and the accounting policies and practices adopted by the Group, and discussed matters in relation to audit, risk management, internal control and financial statements, including reviewing the Group's consolidated financial statements for the Reporting Period.

## CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 45 to 66 in this report.

## MATERIAL LEGAL PROCEEDINGS

During the Reporting Period and up to the date of this report, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, as at the date of this report, there is no material legal proceeding or claim which is pending or threatened against the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules and at least 25% of the Company's entire issued share capital were held by the public since the Listing Date and up to the date of this report.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the section headed "Management Discussion and Analysis" on page 15 and note 31 to the consolidated financial statements.

On behalf of the Board
**Ms. Li Guiping**
Chairwoman and executive Director
Hong Kong, March 28, 2024

# CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate government report of the Company for the Reporting Period.

## CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and achieving good corporate governance by an effective Board, segregation of duties with clear accountability, sound internal controls and risk management procedures and transparency to Shareholders in order to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules (the "**CG Code**") as the basis of the Company's corporate governance practices.

The Company's Shares have been listed on the Main Board of the Stock Exchange since January 9, 2024. As the Company was not listed as at December 31, 2023, the CG Code was not applicable to the Company during the Reporting Period but has applied to the Company since the Listing Date. The chairwoman of the Board takes primary responsibility for ensuring that good corporate governance practices and procedures are established.

In the opinion of the Board, the Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to the date of this report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## THE BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with his/her role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group, and there is a clear division of responsibilities between the Board and the management.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through the Board Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

## Board Composition

As at the date of this report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

**Executive Directors**
Ms. Li Guiping (Chairwoman of the Board)
Mr. Bo Shijiu (Chief Executive Officer)
Ms. Jia Hui

**Non-executive Director**
Ms. Jin Ting

**Independent Non-Executive Directors**
Mr. Shen Jinjun
Mr. Dong Yang
Mr. Wang Fukuan

Each of our Directors has confirmed that he/she obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on January 9, 2024, and he/she has confirmed he/she understood his/her obligations as a director of a listed issuer.

The biographies of the Directors are set out in section headed "Directors and Senior Management" in this report. Save as disclosed above, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive of the Company.

## Independent Non-executive Directors

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. The Board's composition is in compliance with the requirement under Rule 3.10A and Rule 3.10 of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board and at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Board believes that the balance between the executive Directors and the independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out under Rule 3.13 of the Listing Rules.

## Chairman and Chief Executive Officer

According to the code provision C.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Ms. Li Guiping currently assumes the role of chairwoman of the Board while Mr. Bo Shijiu assumes the role of chief executive officer. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

The appointment of Directors is to be recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

## Mechanisms for the Board to Obtain Independent Views and Opinions

The Company has established a Board Independence Evaluation Mechanism during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairwoman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct an annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended December 31, 2023.

## Training and Continuous Professional Development

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Directors have been provided with necessary information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The Company also updates and provides the Directors with written training materials in relation to their roles, functions and duties from time to time.

During the Reporting Period and up to the date of this report, the current Board members participated in the following training programs:

| Name of Directors | Attending training organized by the legal advisers of the Company before the Listing | Reading regulatory updates |
|---|---|---|
| **Executive Directors** | | |
| Ms. Li Guiping (Chairwoman of the Board) | ✔ | ✔ |
| Mr. Bo Shijiu (Chief Executive Officer) | ✔ | ✔ |
| Ms. Jia Hui | ✔ | ✔ |
| **Non-executive Director** | | |
| Ms. Jin Ting | ✔ | ✔ |
| **Independent Non-Executive Directors** | | |
| Mr. Shen Jinjun | ✔ | ✔ |
| Mr. Dong Yang | ✔ | ✔ |
| Mr. Wang Fukuan | ✔ | ✔ |

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date. Each of the Directors is subject to renewal after the expiry of the current term.

According to the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office at an annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive Directors.

## BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

The daily operation and management of the business of the Group, among other matters, and the implementation of strategies are delegated to the executive Directors and senior management. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairwoman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company. The chairwoman of the Board should ensure that all Directors are properly briefed on issues arising at Board meetings and the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Joint Company Secretaries are responsible for taking and keeping minutes of all Board meetings and Board Committee meetings. In compliance with the code provision C.5.5 of the CG Code, minutes of Board meetings and meetings of Board Committees were recorded in sufficient detail covering the matters considered by the Board and decisions reached, including any concerns raised by the Directors, or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Every Board member has full access to the advice and services of the Joint Company Secretaries with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and individual Directors should have separate and independent access to the Company's senior management.

Notices of at least 14 days are given to the Directors for regular meetings, while the Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The company secretary of the Company ensures that the procedures and all applicable rules and regulations are complied with. Minutes of the Board meetings and meetings of the Board committees are kept by the company secretary of the Company and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. The Directors will be updated with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties from time to time. The Audit Committee, Nomination Committee and Remuneration Committee are provided with sufficient resources to perform their duties.

The chairwoman of the Board should encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

Any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest in such transactions.

As the Company was listed on the Stock Exchange on January 9, 2024, no Board meetings or Board committees meetings were held during the Reporting Period. During the period from the Listing Date and up to the date of this report, the Board convened two board meetings and one meeting for each of the Board committees. The Company did not hold any general meeting. The attendance of each Director at the above meetings is set out in the table below:

| | Number of Meeting(s) Attended/Held | | | |
|---|---|---|---|---|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee |
| **Executive Directors** | | | | |
| Ms. Li Guiping | 2/2 | N/A | N/A | 1/1 |
| Mr. Bo Shijiu | 2/2 | N/A | 1/1 | N/A |
| Ms. Jia Hui | 2/2 | N/A | N/A | N/A |
| **Non-executive Director** | | | | |
| Ms. Jin Ting | 2/2 | 1/1 | N/A | N/A |
| **Independent Non-Executive Directors** | | | | |
| Mr. Shen Jinjun | 2/2 | N/A | 1/1 | 1/1 |
| Mr. Dong Yang | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Wang Fukuan | 2/2 | 1/1 | N/A | N/A |

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. As the Company's shares were not listed on the Stock Exchange as at December 31, 2023, the relevant rules of the Model Code, to which the Directors were subject, were not applicable to the Company during the year ended December 31, 2023. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the date of this report.

The Company also requires officers and employees of the Group who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities, be also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company for the period from the Listing Date to the date of this report.

## DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

## CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties set out in the code provision A.2.1 of the CG Code include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## BOARD COMMITTEES

To oversee particular aspects of the Company's affairs, the Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

### Audit Committee

Up to the date of this report, the Audit Committee comprises three members, namely Mr. Wang Fukuan (independent non-executive Director), Ms. Jin Ting (non-executive Director) and  Mr. Dong Yang (independent non-executive Director) Mr. Wang Fukuan is the chairman of the Audit Committee, with the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing Auditor, KPMG.

The terms of reference of the Audit Committee are in compliance with the code provision D.3.3 of the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group, oversee its audit process and perform other duties and responsibilities as assigned by the Board.

The written terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on January 9, 2024, no Audit Committee meeting and work was held during the Reporting Period. During the period from the Listing Date and up to the date of this report, the Audit Committee has held one meeting to review the annual financial results and the audited consolidated financial statements of the Group for the year ended December 31, 2023, major internal audit issues, re-appointment of external auditor and relevant scope of works and continuing connected transactions.

The Audit Committee also reviewed the financial reporting system, compliance procedures, the effectiveness of the internal audit function, and risk management and internal control systems and processes. The Audit Committee has reviewed scope of audit and appointment of external auditors and the  Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Group for the financial year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

## Remuneration Committee

Up to the date of this report, the Remuneration Committee comprises three members, namely Mr. Shen Jinjun (independent non-executive Director), Mr. Bo Shijiu (executive Director) and Mr. Dong Yang (independent non-executive Director) and Mr. Bo Shijiu (executive Director). Mr. Shen Jinjun is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are in compliance with the code provision of E.1.2 of the CG Code. The main duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The written terms of reference the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on January 9, 2024, no Remuneration Committee meeting was held during the year ended December 31, 2023. During the period from the Listing Date and up to the date of this report, one Remuneration Committee meeting was held for (i) reviewing the remuneration of Directors and senior management for the year ended December 31, 2023, and (ii) making recommendations to the Board on the remuneration of the Directors and senior management for the year ending December 31, 2024.

## Nomination Committee

Up to the date of this report, the Nomination Committee currently comprises three members, namely Ms. Li Guiping (executive Director and Chairwoman of the Board), Mr. Shen Jinjun (independent non-executive Director) and Mr. Dong Yang (independent non-executive Director). Ms. Li Guiping is the chairwoman of the Nomination Committee.

The terms of reference of the Nomination Committee are in compliance with the code provision of B.3.1 of the CG Code. The main duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board on appointment, re-election and succession planning of Directors.

The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference and the details of duties of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on January 9, 2024, no Nomination Committee meeting and work was held during the year ended December 31, 2023. During the period from the Listing Date and up to the date of this report, the Nomination Committee has held one meeting to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors.

The Company has also received from each independent non-executive Director an annual confirmation of his independence and the Nomination Committee has conducted an annual review and considered that all independent non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules.

## NOMINATION POLICY

In evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board Committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

## BOARD DIVERSITY POLICY

### Summary of Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

## Monitoring and reporting

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversity perspectives, and monitor the implementation of this Policy.

As at the date of this report, the Board comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Board members also obtained degrees in various majors including accounting, business administration and management. Up to the date of this report, the Board comprises seven Directors including three females and four males, each of the Directors is aged between 41 years old to 68 years old.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

To develop a pipeline of potential female successors to the Board, the Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of the senior management or the Board. The Company is of the view that such strategy will offer chances for the Board to identify capable female candidates to be nominated as a member of the Board with an aim to achieving gender diversity of the Board in the long run.

## Gender Diversity of Workforce

Gender diversity at workforce levels (including our senior management) is disclosed in the section headed "Environmental, Social and Governance Report" in this report.

The Board has also assessed the Group's diversity profile annually of all levels of employees and applied the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. As of December 31, 2023, the Group had 451 full-time employees (including senior management), of whom the number of female employees (including senior management) accounted for approximately 59.9% and the Group has achieved the objective of maintaining a relatively balanced gender ratio. The Group considers the total diversity (including gender diversity) of the Group is balanced as a whole and intends to maintain a similar level of gender diversity of the overall workforce, and will continue to promote diversity through training programs, employee networks, equitable hiring and recruitment practices.

## REMUNERATION POLICY

To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds. All of the full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. Those who meet or exceed their performance expectation will also be rewarded discretionary bonuses. Selected Director, senior management members and employees were offered to participate in the Pre-IPO Restricted Share Plan and the Pre-IPO Share Option Plan, both approved and adopted by the Company on March 7, 2023.

The remuneration of Directors and senior executives is determined with reference to benchmarking of relevant competitors in geographical areas where the Group carries on its businesses, career progressions of the individual, economic trend in geographical areas where the Group carry on its businesses, recognition of experience, role contribution, performance of the Group and the individual's performance.

## REMUNERATION OF DIRECTORS

The Company has made full disclosure of remunerations of Directors by name, amount and type in note 8 to the consolidated financial statements. No Director has waived or agreed to waive any emoluments for the Reporting Period.

## REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including executive Directors namely, Mr. Bo Shijiu and Ms. Jia Hui who are also the members of senior management, by band for the Reporting Period is set out below:

| Band of remuneration | Number of Individuals |
|---|---|
| HK$3,000,001–HK$3,500,000 | 2 |
| HK$3,500,001–HK$4,000,000 | 1 |
| HK$4,000,001–HK$4,500,000 | 1 |
| HK$4,500,001–HK$5,000,000 | – |
| HK$5,000,001–HK$5,500,000 | – |
| HK$5,500,001–HK$6,000,000 | – |
| HK$6,000,001–HK$6,500,000 | 1 |

Further details of the remuneration of Directors for the Reporting Period are set out in note 8 to the Consolidated Financial Statements in this report.

## JOINT COMPANY SECRETARIES

In order to uphold good corporate governance and ensure compliance with the Listing Rules and the applicable Hong Kong laws, the Company engaged Ms. Zhang Yexi and Ms. Tang King Yin as the joint company secretaries of the Company, primarily responsible for the corporate secretarial matters of the Company. Ms. Zhang Yexi serves as the Board secretary of the Group. She reports to the chairwoman of the Board on Board/committee matters and to the Chief Executive Officer on administrative matters. Ms. Tang King Yin is a member of Tricor Services Limited, an external service provider. All Directors should have access to the advice and services of the joint company secretaries to ensure that Board procedures, and all applicable law, rules and regulations on corporate governance, are followed. The appointment and removal of the company secretary is a matter for the Board as a whole. Ms. Tang King Yin's major contact person in the Company is Ms. Zhang Yexi.

As the Company was listed on the Main Board of the Stock Exchange on January 9, 2024, during the Reporting Period, the requirement of 15 hours of relevant professional training of the company secretary as set out in Rule 3.29 of the Listing Rules was not applicable for the Company.

## AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group for the Reporting Period is analysed below. The remuneration for the audit services includes the service fees in connection with the initial public offering. The remuneration for the non-audit services was related to the tax consulting services.

| Type of services provided by the Auditor | Amount RMB'000 |
|---|---|
| Audit services | 3,424 |
| IPO-related services | 2,940 |
| Non-audit services (tax consulting services) | 189 |
| Total | 6,553 |

## DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the financial year ended December 31, 2023.

The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The Directors were not aware of any material uncertainties relating to events or conditions, which may cast significant doubt upon the Group's ability to continue as a going concern.

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by KPMG in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The unqualified auditor's report is set out on pages 91 to 98.The financial statements of the Group for the year ended December 31, 2023 have also been reviewed by the Audit Committee.

## DIVIDEND POLICY

The Company does not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the discretion of the Board and will be based on the profits, cash flows, financial condition, capital requirements and other conditions that the Board deems relevant. Depending on the financial conditions of the Company and the Group and current economic environment, dividends may be proposed and/or declared by the Board during a financial year, and any final dividend for a financial year will be subject to the Shareholders' approval.

The declaration and distribution and amount of any dividends will also be subject to compliance with the Company's Articles of Association, all applicable laws and regulations and other legal restrictions and agreements that the Company may enter into in the future. The Directors may reassess the dividend policy from time to time.

As at the date of this report, there is no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that sound risk management and internal control system is established and maintained within the Group, as well as its responsibility to review its effectiveness. Such system aims to manage and reduce the business risks faced by the Group to an acceptable extent, but not eliminating the risks of failure to achieve business objectives. Moreover, it can only provide reasonable, and not absolute, assurance against material misstatement, loss or fraud.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

### Risk Management System

An on-going process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process involves:

- Risk identification: identify major and significant risks that could affect the achievement of goals of the Group;
- Risk evaluation and assessment: assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk management and mitigation: develop effective control activities to mitigate the risks.

## Internal Control System

The Board is responsible to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's assets.

The internal control system will cover all material controls, including financial, operational, information technology, compliance controls and risk management functions.

The Company has in place an internal control system that enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The components of the framework are shown as follow:

1. Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

2. Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

3. Control Activities: Action established by policies and procedures to ensure that management directives to mitigate risks to the achievement of objectives are carried out.

4. Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

5. Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the financial, operational and compliance controls, and the risk management and internal control systems and reports the review results to the Board on an annual basis. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review report showed that the Group maintained an effective internal control system and no major control deficiency had been identified during the year ended December 31, 2023. The scope and findings of the review had been reported to and reviewed by the Audit Committee. The Board also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience of the employees of the Group's accounting, internal audit and financial reporting function, and their training programmes and budget.

The Board has received a confirmation from management on the effectiveness of the risk management and internal control systems for the year ended December 31, 2023.

In connection with the Listing, the Board has conducted an annual review on the effectiveness of the Group's internal control and risk management systems. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers that the current internal control and risk management system of the Company are effective and adequate and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under D.2.1 to D.2.5 and D.3.3 of the CG Code relating to risk management and internal control.

The review covered all material controls, including financial, operational and compliance controls and risk management functions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management.

## ANTI-CORRUPTION AND WHISTLE-BLOWING POLICIES

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy and transparent business environment. In order to ensure the compliance of the Company's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the compiled articles in due course. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

In addition, the Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mails or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department. During the Reporting Period, the Company did not have any lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Company. There was no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meeting, including the election of individual Director(s). All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

### Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims to set out the provisions with the objective of ensuring that the Company's Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The chairwoman of the Board and the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee attend the annual general meeting to answer Shareholders' questions. The Auditor also attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence. The chairman of the meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll. A notice to Shareholders is sent by the Company at least 21 clear days before the annual general meeting and at least 14 clear days in all other general meetings.

The Company maintains a website at www.99digtech.com as a communication platform with the Shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access.

The Company continues to enhance communications and relationships with Shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from Shareholders and investors are dealt with in an informative and timely manner.

The Company ensures that the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Based on the abovementioned, the Company considers its shareholders' communication policy implemented effectively.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to convene an extraordinary general meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings (the "**EGM**"). Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the secretary(ies) of the Company, to require an EGM to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such requisition shall be made in writing to the Board or the secretary(ies) of the Company to the principal place of business of the Company in Hong Kong or by email to ir@99digtech.com for the attention to the Board or the joint company secretaries. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

### Procedures for Shareholders to put forward proposals at Shareholders' meetings

Pursuant to the article 85 of the Articles of Association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The Company must give its shareholders the opportunity to lodge a notice with it proposing a person for election as a director at a general meeting. To enable the Shareholders to make an informed decision on their election at a general meeting, the Company shall publish an announcement or issue a supplementary circular as soon as practicable upon receipt of any such notice from a Shareholder where such notice is received by the Company after publication of the notice of meeting. The Company shall include particulars of the proposed director in the announcement or the supplementary circular. The Company shall assess whether or not it is necessary to adjourn the meeting for the election to give Shareholders at least seven (7) days to consider the relevant information disclosed in the announcement or the supplementary circular.

Shareholders who wish to put forward other proposals at general meetings may follow the procedures in "Procedures for Shareholders to convene an extraordinary general meeting" set out above to convene an extraordinary general meeting for business specified in the written requisition.

## Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board , Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## Contact Details

Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon in Hong Kong or by email to ir@99digtech.com for the attention to the Board and the Joint Company Secretaries.

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company, assisted by legal advisors and financial advisors, would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the Listing Rules and SFO.

## AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The memorandum of association and articles of the association of the Company (collectively, the "**Memorandum and Articles of Association**") have been amended and restated, with effect from the Listing Date. Save for the aforesaid disclosed, during the Reporting Period and up to the date of this report, no change has been made to the Memorandum and Articles of Association.

The latest version of the Memorandum and Articles of Association is available on the websites of the Company at www.99digtech.com and the Stock Exchange at www.hkexnews.hk.

## ABOUT THIS REPORT

This report is the first Environmental, Social and Governance ("**ESG**") Report (this "**Report**") issued by Changjiu Holdings Limited (referred to as the "**Group**", or "**we**") for the year ended 31 December 2023. This Report sets out the Group's concept of sustainable development, and presents to its stakeholders the sustainable development policies and measures implemented by the Group, as well as the progress and performance during the year, so as to enhance their understanding and confidence on the Group.

This Report is an integral part of our annual reporting and should be read in conjunction with the Annual Report 2023 of the Company.

## REPORT FRAMEWORK

The report is prepared in accordance with the "comply or explain" provisions in the HKEX ESG Reporting Guide, with reference to the TCFD Climate Disclosure Recommendations and SDGs.

The report follows four reporting principles: "Materiality", "Quantitative", "Balanced", and "Consistent".

**Materiality:**

The report has identified important stakeholders and determined material ESG issues through materiality assessment.

**Quantitative:**

The Group has disclosed the statistical standards, methods, calculation tools, and conversion factors used to generate all data in this report. We have outlined standardized methods and calculated KPIs.

**Balanced:**

The report fairly describes the Group's performance during the Reporting Period, avoiding selection, omission, or inappropriate reporting formats that may affect the decisions or judgments of report readers.

**Consistent:**

Unless otherwise stated, the Group has used consistent data calculation methods for effective comparison.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORT SCOPE AND PERIOD

This report describes the overall performance of the Group in sustainable development related to its core business, as well as the implementation of its ESG strategy during the fiscal year from 1 January 2023 to 31 December 2023.

This Report complies with the Environmental, Social and Governance Reporting Guidelines (the "**ESG Guidelines**") set out in Appendix C2 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and takes the four reporting principles contained therein, namely Materiality, Quantification, Balance and Consistency, as the basis for the preparation of this Report. A complete index is attached to the last chapter of this Report so that readers can read this Report according to the ESG Guidelines. Unless otherwise specified, all currencies involved in this Report are measured in Renminbi.

## CONTACT INFORMATION AND FEEDBACK

The report is published in electronic format and can be viewed on the Company's website (www.99digtech.com) and the HKEX's website (www.hkexnews.hk).

Opinions will help the Group establish better sustainable development governance and strategies in the future. If you have any comments or suggestions on the content of this Report, please contact the Group by email to ir@99digtech.com.

## CONFIRMATION AND APPROVAL

The information stated in this Report extracts from the Group's official internal documents, statistical data, and management and operational data collected in accordance with its systems. This Report has been confirmed and approved by the Board on March 28, 2024.

## 1. STRENGTHENING ESG RESPONSIBILITY MANAGEMENT

### 1.1 ESG Governance Structure

To strengthen the level of ESG governance, the Group has established an ESG governance structure and integrated sustainable development concepts into daily operations. The Group seeks to embed sustainable practices in its everyday operations and align sustainability goals with the Group's overall strategic direction. We believe that excellent ESG governance can enhance the competitiveness and long-term sustainable development of the Group, and create more lasting and stable value for employees, customers, Shareholders, and society.

We are committed to promote corporate social responsibility and sustainable development and integrate them into our business operations. Our Directors believe that other than being responsible for the interests of our shareholders and maximizing profits, the Group must also assume responsibility for the society in order to achieve a cohesive and sustainable relationship between the Group, the economy and the society.

Our ESG policy also sets out the organizational structure and the respective responsibilities of different parties in managing ESG matters. Our Board will be responsible for formulating our ESG strategies, framework and policies. The Board has delegated the implementation of ESG practices to three teams:

- The leadership team composed of our senior management team and led by a general manager will be primarily responsible for (i) creating and updating a framework and indicators for ESG assessment; (ii) reviewing our ESG report; and (iii) determining and supervising steps to be taken to improve our ESG practices.

- The working team composed of department heads and led by a designated senior manager will be primarily responsible for (i) conducting research on international and domestic ESG policies and standards, which serve as benchmarks and references when our leadership team update our ESG framework and indicators; (ii) preparing our annual ESG report; (iii) diagnosing our ESG practices and putting forward suggestions for improvement to the leadership group; (iv) implementing the steps that the leadership group sets to improve our ESG practices; (v) providing guidance to relevant departments regarding ESG practices; and (vi) communicating with rating agencies and assisting stakeholders in responding to ESG issues.

- The internal audit team will be primarily responsible for auditing the implementation of our ESG practices.

### 1.2 Statement from the Board

The Group is well aware of the importance of good corporate governance, and always adheres to the requirements of the ESG guidelines of the Hong Kong Stock Exchange. The Group builds an ESG management structure involving supervisory, management and executive levels, and continuously improves its own ESG governance structure and its implementation system and incorporate ESG governance factors into all aspects of its major decision-making and operational practices.

The Board of the Group is the highest responsible and decision-making body for ESG matters, and bears the ultimate responsibility for ESG matters of the Group. With the assistance of operational departments, it supervises the commitments, implementation and performance related to the ESG matters, and is responsible for identifying and managing major ESG risks and opportunities, authorizing each operational department to implement relevant policies and measures, and holding meetings in due course to discuss and consider relevant ESG issues.

The Board is also responsible for the overall risk management and internal control systems of the Group and for reviewing its effectiveness, which also covers the ESG-related risks to the Group's business. Risk management framework is in place to provide a consistent approach on the risk management processes, including identification, assessment, treatment and reporting of the potential risks identified affecting the key business processes of the Group.

The Group has established an ESG goal management mechanism, and regularly reviews and reports the progress of relevant goals through meetings, ESG report disclosures and other forms. The progress and results of ESG-related tasks in 2023 have been disclosed in this Report, and this Report has been reviewed and approved by the Board on March 28, 2024 The Board guarantees that the contents of this Report do not have any false or misleading statements or major omissions, and are responsible for the truthiness, accuracy and completeness of its contents.

## 1.3 Stakeholder Engagement

Stakeholders represent the stakeholder group that is most affected by business operations of the Company and can most affect its corporate development. The Group maintains active, transparent and stable communication with its stakeholders to obtain their feedback in a timely manner, and continuously deepens the understanding of their expectations and demands, and continuous improves of the sustainable development, business strategies and measures of the Group.

The Group communicates with key stakeholders through various channels in order to understand their different expectations and identifies the most material aspects to be placed comparatively higher emphasis for reporting in this Report.

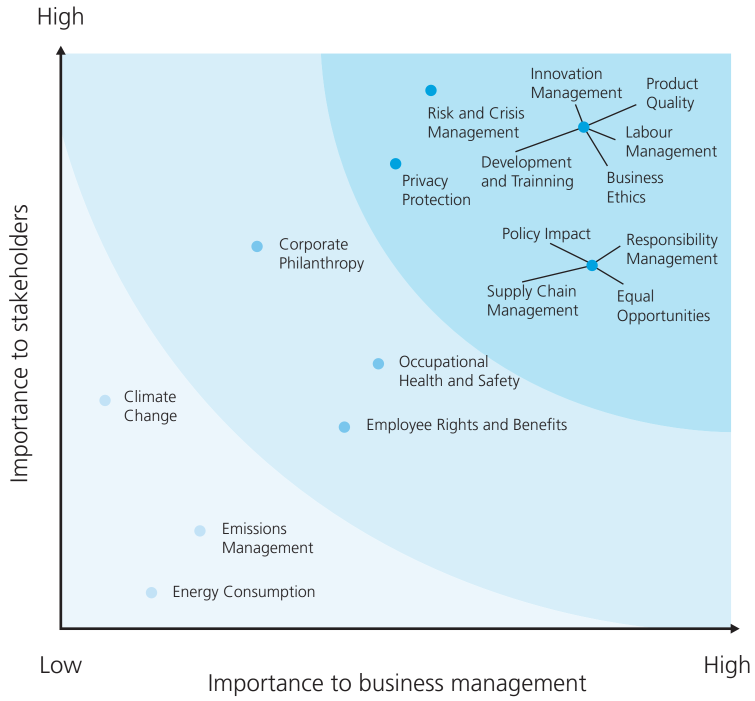
**List of Stakeholder Communication and Issues**

| Stakeholder | Issues of concern | Communication methods |
|---|---|---|
| **Shareholders and investors** | • Profits of the Group<br>• Return on the investment<br>• Transparent disclosure of information<br>• Protection of interests and fair treatment of shareholders | • Annual general meetings and other shareholder meetings<br>• Company website<br>• Announcements, annual and interim reports<br>• Investor meetings |
| **Government and Regulatory Agencies** | • Compliance with laws and regulations<br>• Pay taxes according to law<br>• Promote regional economic development and support local development | • On-site inspections and visit<br>• Government and industry conferences<br>• Annual reports and other published information on website |

| Stakeholder | Issues of concern | Communication methods |
|---|---|---|
| **Employees** | • Safeguard the rights and interests of employees<br>• Career development opportunities<br>• Development and training<br>• Health and safety | • Conferences<br>• Training, seminars and briefing sessions<br>• Performance Evaluation<br>• Training |
| **Customers** | • Customer service<br>• Stable relationship<br>• Business ethics<br>• After-sales services | • Website, brochures and annual Reports<br>• Customer visits<br>• Customer feedback and Telephone contact<br>• Regular meetings |
| **Suppliers/Business Partners** | • Long-term partnership<br>• Mutually beneficial cooperation<br>• Fair, public tendering process | • Business meetings interviews and visits<br>• Review and assessment<br>• Tendering process |
| **Peers/Industry associations** | • Experience sharing, Communication and cooperation<br>• Fair competition | • Visits<br>• Industry conferences |
| **Community and general public** | • Community involvement<br>• Employment opportunities<br>• Social responsibilities | • Regular reports and announcements<br>• Company website<br>• Volunteering<br>• Charity and social investment |

## 1.4 Materiality Assessment

In addition to the above-mentioned communication methods, in 2023, the Group assessed the importance of ESG issues from the two dimensions of "importance to stakeholders" and "importance to business management" based on its own development direction and industry characteristics. Assessment results of ESG issues were divided into three categories, namely "very important", "important" and "relevant", as shown in the chart below.




Through the process for materiality assessment, the Board can have better understanding the degree of importance to each ESG topic and would enable the Group to plan its sustainable development direction more comprehensively.

Looking ahead, the Group will continue to strengthen communication with its stakeholders and understand their opinions on sustainable development through regular and irregular stakeholder communication activities in order to improve its sustainable development policies and measures.

## 2. ENVIRONMENTAL PROTECTION

The Group is committed to operating its businesses in an environmentally responsible manner through improving energy efficiency and minimising its environmental footprint.

### 2.1 Emissions Management

We have formulated a management system, which clarifies the environmental protection responsibilities of managers at all levels and departments, and implements environmental protection. In 2023, the Group did not suffer any major environmental incidents or administrative penalties.

The Group is committed to operating its businesses in an environmentally responsible manner through improving energy efficiency and minimising its environmental footprint.

In the daily operation activities, the Group is not involved in any waste gas and waste water emission and its greenhouse gas emissions solely include indirect greenhouse gas generated from purchased electricity. The sources of waste involved in the Group include hazardous solid wastes such as used toner cartridges and non-hazardous solid wastes such as waste paper generated during the office process. The Group has set up trash cans for office waste in the office area and the Group continues to implement the concepts of energy saving, consumption reduction and green environmental protection to reduce emissions from the source. The Group will always take promoting the process of emission management and environmental protection and take the path of sustainable development.

#### 1. Non-hazardous wastes

General office waste is the major non-hazardous waste generated by us, which primarily included office supplies, office equipment, such as calculators and TV mount. The unit volume and unit amount of such non-hazardous waste were trivial, and were collectively insignificant to our business operation.

Notwithstanding the minimal non-hazardous waste generated by the Group, which will not have any actual or potential impact on our business operations or financial performance, the Group has set long-term targets to reduce waste generation by encouraging waste recycling. The Group strives to promote green office by adopting numerous measures on reducing waste generation as well as raising employee's environmental awareness, including but not limited to:

- providing recycling bins at easily accessible points;
- encouraging double-side printing and reusing of wastepaper;
- promoting the idea of paperless workplace; and
- evaluating the demand for office equipment before procurement to avoid overstock.

### 2. Greenhouse gas

The Group's greenhouse gas emissions mainly include indirect greenhouse gas generated from purchased electricity. The Group is committed to reducing the greenhouse gas emissions from the Group's own operations by identifying the sources of greenhouse gas emissions, planning and analysing the effectiveness and operability of various greenhouse gas reduction initiatives, and gradually implementing greenhouse gas reduction measures to achieve greenhouse gas reduction target.

We attach great importance to environmental protection and strictly comply with applicable laws and regulations to ensure compliance with requirements relating to the emissions generated in our operations. During the Reporting Period, the Company did not violate the relevant laws and regulations that have a significant impact on the issuer relating to greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. In addition, we continuously strengthen the management of energy and resources, actively adopt environmental protection measures for energy conservation and emission reduction, and practise the concept of green development.

During 2023, the Group generated 0.092 ton of hazardous waste toner cartridges with a density of 24.7g/sq.m. and produced 1.445 tons of non-hazardous waste paper with a density of 388.5g/sq.m.. The total amount of indirect greenhouse gas emissions is 127.4 tons of carbon dioxide equivalent, and the intensity of GHG emissions is 34.25KG/sq.m., and the direct GHG emission is considered not material to our Group.

## 2.2 Energy and Resources Consumption

We are in the business of providing pledged vehicle monitoring services and automobile dealership operation management services. While we do not produce emissions or consume resources significantly, we believe in the importance of caring for our planet and strive to strike a balance between our role as a for-profit company and our effort to protect the environment of our planet. Although relevant industry standards are not available, we have adopted various metrics to measure the impact of our business on the environment with reference to the environment protection laws and regulations in the PRC. Such metrics primarily include the amount of resource consumed.

### Resource consumption

| | 2023 | Unit |
|---|---|---|
| **Electricity** | | |
| – Total amount | 208,851 | kWh |
| – Intensity | 56.1 | kWh/sq.m. |
| **Water** | | |
| – Total amount | 7,313 | $m^3$ |
| – Intensity | 2.0 | $m^3$/sq.m. |

## Power Usage

We endeavor to proactively conserve energy in response to government's initiatives. While our power usage will not have any actual or potential impact on our business operations or financial performance, we intend to reduce the level of our power usage. We have implemented or will implement the following measures:

- requiring employees to switch off electronic devices and lights when they are not in use;
- evaluating the lighting effect in our office area scientifically, and replacing traditional bulbs with LED lights or other energy-saving lights without affecting our business operations;
- switching off all air conditioners after normal business hours and during non-working days;
- clearing up refrigerators regularly in order to enhance air circulation and increase their efficiency;
- cleaning filters and fan coil units of the air conditioners regularly in order to increase their efficiency; and
- strengthening training relating to energy saving for all employees.

## Water Usage

We are dedicated to promote water conservation and puts water conservation in an important position in the development of the Group. The water consumption involved in the Group is mainly the daily water consumption and the Group has been strictly abiding by the relevant national and local laws and regulations on water resources management. During the Reporting Period, the Group did not identify any significant risk of water shortage in obtaining suitable water sources. While our water usage will not have any actual or potential impact on our business operations or financial performance, we intend to reduce the level of our water usage. We have implemented or will implement the following measures:

- putting up water saving reminder labels in toilets to raise the employee's awareness of saving water;
- requiring employees to close faucets after use; and
- inspecting water tanks and faucets periodically to prevent water leakage and promptly informing the property management company for maintenance if there is a water leakage.

## Paper Resources

We actively promote the electronic office process and have established an electronic office platform to provide employees with various business support, in order to reduce paper usage. We post messages near printers about recycling paper, saving paper, and double-sided printing to remind employees to develop a habit of conservation.

In addition, the Group is not involved in the use of packaging materials as the Group is in the business of providing pledged vehicle monitoring services and automobile dealership operation management services.

## 2.3 The Environment and Natural Resources

The Group will continuously increase the investment on various environmental protection projects, re-identify the source of wastes generated during operation and the impacts on the environment when using resources, to enhance and install different types of environmental protection facilities and ancillaries, and continue to optimise internal management systems, working guidelines and environmental protection measures; continuously enhance employees' awareness on environmental protection and resource conservation through promotion, education and other effective methods, and take up the social responsibilities and obligations with employees in the process of management and development. The Group recognises its responsibility in minimising significant negative impacts on the environment and natural resources in its business operations. In addition, The Group remains conscious of its existing and potential impacts, and regularly assesses the environmental risks of its business model, adopts preventive measures and ensures compliance with relevant laws and regulations.

During the Year 2023, there was no confirmed non-compliance incident or grievance in relation to the Group's business which had significant impact on the environment or natural resources.

## 2.4 Climate Change

Recognising the importance of identifying and mitigating significant climate-related issues, the Group closely monitor the potential impact of climate change on our business and operations and strive to manage potential climate related risks that may affect the Group's business activities. The Board acknowledges that the climate change may bring physical and transition risks and the Group will remain alert to the climate change and take prompt actions where necessary.

### Physical risks

Extreme weather may have an impact on the safety of employees and the Group's operation. We will assess the impact of extreme weather on the Group's operation and develop protective measures in a timely manner. We will also strengthen the training of employees and develop emergency response plans to ensure the safety of employees.

### Transition risks

As countries become more concerned about climate change, it is expected that there will be more stringent regulations to control the Group's emissions of greenhouse gases and other pollutants. The Group will continue to review the changes in regulations in different countries and install various emission control devices to reduce the emission of pollutants as appropriate. We will communicate with our customers and suppliers to enhance cooperation in exploring more energy-saving and carbon-reducing ways of operation.

The Group actively undertakes the corporate social responsibility of addressing climate change, takes effective measures to address the challenges brought by climate change, and seizes the opportunity of developing a low-carbon economy, expecting to occupy the strategic commanding heights in the future competition, so as to achieve its own sustainable development. Besides, the Group will also regularly provide induction training or courses related to emergency response plans and procedures for all employees in the future.

## 3. SOCIAL

### 3.1 Employment

The Group recognises that employees are the most important asset. We have established a set of human resources management policies in order to comply with relevant labour laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including Labour Laws of the PRC, and comply with them. As at 31 December 2023, the Group employed 451 employees (2022: 424).

We believe that the expertise, experience and professional development of our employees is critical to our growth. Our human resources department manages, trains and hires employees.

We uphold our corporate culture of "customer-centric, trust-based, open and innovative, and hardworking-driven" (客戶為先,誠信至上,開放創新,奮鬥為本) and value fine qualities of being diligent, innovative, reliable, cooperative, dedicated and honest, and hence create senses of identity and belonging among our employees.

The Group ensures that all employees are entitled to paid annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the laws and regulations and safeguards employees' basic rights.

The Group is committed to constructing an inclusive workplace that embraces diversity and equal opportunity. The management sets a tone of zero tolerance to harassment and discrimination of any form.

Employees' recruitment and promotion are based on their merits and the development of the Group, regardless of their gender, age, nationality, religious belief, marital status, etc. To foster a harmonious working environment and encourage collaboration, we organised a series of teambuilding activities, during the Year 2023.

As at 31 December 2023, the Group had a total of 451 employees (2022: 422), the workforce categorised by gender, age groups and geographical region are depicted below:

| | | **No. of employees (person)** | **Percentage (%)** |
|---|---|---|---|
| By gender | Male | 181 | 40.1 |
| | Female | 270 | 59.9 |
| By age | Below aged 30 | 67 | 14.9 |
| | Aged 31 – 50 | 364 | 80.7 |
| | Above 51 | 20 | 4.4 |
| By location | Beijing | 341 | 75.6 |
| | Rest of Mainland China | 110 | 24.4 |

The Group strictly abides by national laws and regulations, and resolutely eliminates the employment of child labor and forced labor; the Group strictly controls the recruitment process, and the candidates entering the interview process are not less than 18 years old, and the original personal ID card is required for the interview. The candidates must provide the original ID card, the original graduation certificate and other documents to go through the admission procedures.

During the Reporting Period, the Group did not have any labor disputes due to violations of laws and regulations, nor the employment of child labor or forced labor, nor any violations of social insurance or default in payment.

## Employee Termination

The Group strictly complies with the "Labor Contract Law" and any relevant labor laws and regulations. If there is a serious violation of the code of conduct, the Group has the right to terminate their employment relationship. Employees may also voluntarily terminate their contracts and must complete handover during the notice period and comply with resignation arrangements.

The employee turnover rate was 23.8% for the Year 2023. The employee turnover rates categorised by gender, age groups and location are depicted below:

| | | **Percentage (%)** |
|---|---|---|
| By gender | Male | 22.9 |
| | Female | 24.4 |
| By age | Below aged 30 | 48.2 |
| | Aged 31 – 50 | 18.8 |
| | Above 51 | 25.6 |
| By location | Beijing | 28.7 |
| | Rest of Mainland China | 8.5 |

The Company emphasizes the introduction of talents, and explores a variety of recruitment cooperation methods to boost the introduction. The Company actively communicated with intermediaries such as 51job.com and deepened the cooperation with universities. According to the social needs of combining production, studies and research, the Company, together with certain universities, actively admitted tertiary institution students for training and internship to enhance their practical ability and strengthen their competitiveness for employment. We understand the value of a diverse and professional team of talents. We are dedicated to developing and maintaining an inclusive and cooperate workplace culture where all staff can thrive. The Group is devoted to providing equal opportunities for all employees and to ensuring that employees are free from any discrimination, physical or verbal harassment in the workplace on the basis of gender, race, religion, age, marital and family status, disability or any other grounds.

To ensure a fair and equal protection for all employees, the Group does not tolerate any form of sexual harassment or bullying in the workplace.

### Compensation and Benefits

The Company continues to improve its compensation and benefits system and provide the competitive compensation and benefits resources to better attract, retain, and motivate outstanding talents.

The Company organizes various special events periodically, including holiday activities and cultural and sports competitions, allowing employees to relax and enjoy life outside of work.

## 3.2 Health and Safety

The Group pays close attention to the safety and health of every employee. We strictly abide by relevant laws and regulations such as the Safety Production Law of the People's Republic of China and have adopted a series of measures to fully ensure the health and safety of its employees.

| Occupational health and safety performance | Unit | 2023 |
| --- | --- | --- |
| Lost work days due to work injury | Days | 64.5 |

In 2023, the Group has no violations of laws and regulations related to occupational health and safety that have a significant impact on us. During the Reporting Period, the Group did not record any cases of work-related fatalities.

## 3.3 Development and Training

Talents are the eternal theme of our development. We adhere to the people-oriented principle by continuously strengthening talent development, and setting up reasonable mechanisms to attract, retain and cultivate talents to ensure that the Group's talent strategy is matched with production capacity expansion and development strategies to ensure a long-term and stable growth. We have formulated the Human Resource Management System, which includes the Promotion and Resignation Management System and Training Management System, clarifying the promotion and resignation process of the Group, as well as the employee training system and training requirements.

In terms of employee promotion, we promote employees with potential for development through internal promotion, provide directional development and training, and establish a talent pool for the Company. The Group's employee promotion standards mainly include qualification, ability and attitude. In the case of vacancies due to employee resignation, excellent performance of employees or proactive recommendation by managers of various departments after discovering outstanding employees, the Group will provide corresponding job promotion arrangements according to the actual situation.

The company organizes various special events periodically, including holiday activities and cultural and sports competitions, allowing employees to relax and enjoy life outside of work.


During the Reporting Period, the Company held more than 35 internal trainings, including client maintenance, capital market and induction training for new employees.

During the Reporting Period, the Group provided training to all staff. The breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

| | **Percentage of employee trained** | **Average training hours** |
|---|---|---|
| **By gender** | | |
| Male | 100% | 60 |
| Female | 100% | 60 |
| **By employee category** | | |
| Senior management | 100% | 60 |
| Middle management | 100% | 60 |
| General staff | 100% | 60 |

### 3.4 Labour Standards

The Group implements its labour standards in strict compliance with the labour laws and regulations against child labour and forced labour in the PRC.

The Group maintains strict recruitment process, all employees must present valid documents to the Group. The above procedures can ensure no child labour will be employed.

The Group respects the freedom of employment of its employees, force labour or defaulting on remuneration are strictly prohibited. The Group informs the employees of the working hours of their corresponding positions before they join the Group and obtains consent from employees if the working hours require to be adjusted due to production needs or post changes after they take up the job. In addition, all employees of the Group are entitled to have sick leave, injury leave and maternity leave with medical proof in accordance with the applicable laws and regulations. For the Year 2023, there was no non-compliance case with relevant laws and regulations relating to child and forced labour.

### 3.5 Supply Chain Management

The Board has established relevant policies and procedures to identify, assess, monitor and manage the issues about environmental and social risks of the supply chain which is included in the ESG-related matters. Material environmental and social risks along the supply chain would be identified and managed under the Group's risk management framework. In order to fulfil the Group's environmental and social responsibilities, the Group has not only implemented relevant policies regulating its practices in daily operations but also given attention to the mitigation of the environmental and social risks that may affect the supply chain.

We select suppliers that obtain source in a sustainable way, at the procurement stage, the major suppliers of the Group are required to demonstrate that products and/or services provided to the Group are in compliance with requirements under the relevant laws, rules and regulations.

During the Reporting Period, the Group was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc. The Group encourages and expects business partners to adhere to the same ethical standards shared by the Group. Before the formal start of cooperation, the Group makes a comprehensive evaluation of business partners according to various criteria.

| **Number of Suppliers by Region** | **2023** |
|---|---|
| Beijing | 67 |
| Rest of Mainland China | 94 |
| Total | 161 |

During the procurement process, the Group encourages suppliers to use environmentally friendly products and services. The Group adheres to fair operating practices and has a sound supplier selection process with clear supplier selection criteria and the ability to identify potential risks in the Group's supply chain. We encourage our suppliers to maintain high standards of business ethics and conduct and strive to achieve satisfactory environmental and social performance. When selecting and evaluating suppliers, we will consider a number of factors such as quality system, environmental and social performance, and strive to establish long-term supply and demand cooperation.

## 3.6 Product Responsibility

The Group regards product quality as its life and strives for excellence in product quality. As of the end of 2023, the Group has not experienced any major violations related to the health and safety of its products, advertising, labelling, customer privacy protection and intellectual property rights due to safety and health reasons, nor any major computer system or network security incident occurs.

We strictly comply with all relevant laws and regulations relating to product responsibilities, including but not limited to "Law of the People's Republic of China on the Protection of Consumer Rights and Interests" and "Product Quality Law of the People's Republic of China" of Mainland China.

To understand our customers' needs and enhance our quality, our general manager and business department directors will visit our customers to receive their feedbacks from time to time and the quality assurance department will conduct customer satisfaction investigation annually. The services to be improved will be listed out and delivered to the responsible staff for their rectification and follow-up.

During the Reporting Period, the Company proactively addressed customers' problems in a timely manner by carrying out major daily works, such as customer consultation, customer response, customer complaint etc. Meanwhile, through communication with customers, we timely discovered problems in the service process and system and reflected them to the relevant departments.

Intellectual property rights protection is indispensable for innovation and research and development. Effective property rights protection management is helpful to protect the new technological achievements of enterprises and strengthen the core competition of enterprises. While fully respecting intellectual property rights of other parties, the Group protects its intellectual property rights from being infringed.

The Group is strictly in compliance with laws and regulations, with an aim to stipulate and regulate the reporting procedures of the intellectual property rights of different departments and encourage department staff to partake in knowledge innovation and technology R&D.

## 3.7 Anti-Corruption

The Group does not tolerate any forms of corruption, fraud and all other behaviors that severely damage the business integrity and reputation of the Group.

Bribery, fraud and corruption in any forms or in relation to any parties are all strictly prohibited in the Group. The Group has incorporated a section in the Employee Handbook regarding the procedures for employees to report any suspected fraudulent activities. Employees may report in writing to their department head regarding the suspected misconduct. Reports and complaints received will be handled in a prompt and fair manner. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation or discrimination. Therefore, the employee reporting in good faith under the whistle-blowing mechanism can be assured of protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated. The Group provides induction training to all new directors and employees.

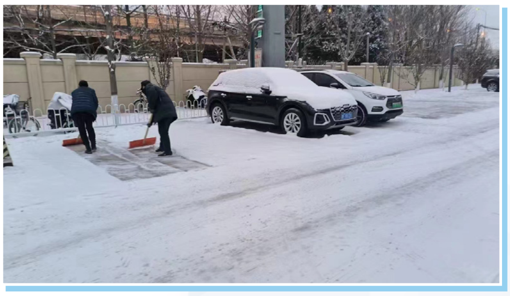
The training covers a variety of areas including but not limited to, anti-corruption laws and regulations and the company's requirements in relation thereto, as well as the code of ethics that all directors and employees must comply with.

During the Year 2023, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering of the PRC. There was no legal case regarding corrupt practices brought against the Group or its employees for the Year 2023.

## 3.8 Community Investment

The Group is actively committed to corporate social responsibilities. The Group encourages the employees to participate in beneficial activities to make contribution to society. The Group will continue to make contributions to the community, pay attention to the society as well as the difficulties and needs of the underprivileged parties at all times, and actively reward to the society, with an aim to facilitating social harmony.

In the future, the Group will also adhere to carry out diversified public welfare activities through multiple channels.



## APPENDIX: HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDELINES CONTENT INDEX

| Environmental, Social and Governance Reporting Guidelines | | | Report Content |
|---|---|---|---|
| **A. Environmental** | | | |
| A1: Emissions | General Disclosure<br><br>Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations<br><br>that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Emissions Management | | 2.1 Emissions Management |
| | A1.1 | The types of emissions and respective emissions data. | 2.1 Emissions Management |
| | A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 2.1 Emissions Management |
| | A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 2.1 Emissions Management |
| | A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 2.1 Emissions Management |
| | A1.5 | Description of emission target(s) set and steps taken to achieve them. | 2.1 Emissions Management |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | 2.1 Emissions Management |

| Environmental, Social and Governance Reporting Guidelines | | | Report Content |
|---|---|---|---|
| A2: Use of Resources | General Disclosure<br><br>Policies on the efficient use of resources, including energy, water and other raw materials. | | 2.2 Energy and Resources Consumption |
| | A2.1 | Direct and/or indirect energy (e.g. electricity, gas or oil) consumption by type in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility). | 2.2 Energy and Resources Consumption |
| | A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 2.2 Energy and Resources Consumption |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | 2.2 Energy and Resources Consumption |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | 2.2 Energy and Resources Consumption |
| | A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not Applicable |
| A3: The Environment and Natural Resources | General Disclosure<br><br>Policies on minimising the issuer’s significant impacts on the environment and natural resources. | | 2.3 The Environment and Natural Resources |
| | A3.1 | Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them. | 2.3 The Environment and Natural Resources |

<table>
<tr><th colspan="3">Environmental, Social and Governance Reporting Guidelines</th><th>Report Content</th></tr>
<tr><td rowspan="2">A4: Climate Change</td><td colspan="2">General Disclosure<br><br>Policies on identification of and response to significant climate-related issues which have impacted, and those which may impact, the issuer.</td><td>2.4 Climate Change</td></tr>
<tr><td>A4.1</td><td>Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.</td><td>2.4 Climate Change</td></tr>
<tr><td colspan="4">B. Social</td></tr>
<tr><td colspan="4">Employment and Labour Practices</td></tr>
<tr><td rowspan="3">B1: Employment</td><td colspan="2">General Disclosure Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer.</td><td>3.1 Employment</td></tr>
<tr><td>B1.1</td><td>Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.</td><td>3.1 Employment</td></tr>
<tr><td>B1.2</td><td>Employee turnover rate by gender, age group and geographical region.</td><td>3.1 Employment</td></tr>
</table>

| Environmental, Social and Governance Reporting Guidelines | | | Report Content |
|---|---|---|---|
| B2: Health and Safety | General Disclosure Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | | 3.2 Health and Safety |
| | B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | 3.2 Health and Safety |
| | B2.2 | Lost days due to work injury. | 3.2 Health and Safety |
| | B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | 3.2 Health and Safety |
| B3: Development and Training | General Disclosure<br><br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | | 3.3 Development and Training |
| | B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | 3.3 Development and Training |
| | B3.2 | The average training hours completed per employee by gender and employee category. | 3.3 Development and Training |
| B4: Labour Standards | General Disclosure Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | | 3.4 Labour Standards |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 3.4 Labour Standards |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | 3.4 Labour Standards |

| Environmental, Social and Governance Reporting Guidelines | | | Report Content |
|---|---|---|---|
| **Operating Practices** | | | |
| B5: Supply Chain Management | General Disclosure<br><br>Policies on managing environmental and social risks of the supply chain. | | 3.5 Supply Chain Management |
| | B5.1 | Number of suppliers by geographical region. | 3.5 Supply Chain Management |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | 3.5 Supply Chain Management |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | 3.5 Supply Chain Management |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | 3.5 Supply Chain Management |

| Environmental, Social and Governance Reporting Guidelines | | | Report Content |
|---|---|---|---|
| B6: Product Responsibility | General Disclosure Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | | 3.6 Product Responsibility |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | 3.6 Product Responsibility |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | 3.6 Product Responsibility |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 3.6 Product Responsibility |
| | B6.4 | Description of quality assurance process and recall procedures. | 3.6 Product Responsibility |
| | B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | 3.6 Product Responsibility |
| B7: Anti-corruption | General Disclosure Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering. | | 3.7 Anti-corruption |
| | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | 3.7 Anti-corruption |
| | B7.2 | Description of preventive measures and whistle- blowing procedures, and how they are implemented and monitored. | 3.7 Anti-corruption |
| | B7.3 | Description of anti-corruption training provided to directors and staff. | 3.7 Anti-corruption |

| Environmental, Social and Governance Reporting Guidelines | | | Report Content |
|---|---|---|---|
| **Community** | | | |
| B8: Community Investment | General Disclosure<br><br>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities take into consideration the communities' interests. | | 3.8 Community Investment |
| | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | 3.8 Community Investment |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area. | 3.8 Community Investment |

KPMG

**Independent auditor's report to the shareholders of Changjiu Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Changjiu Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 99 to 168, which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (Continued)

**Revenue recognition**

*Refer to the accounting policies in "Note 2(q) to the consolidated financial statements: Revenue and other income" and Note 4(a) to the consolidated financial statements.*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| The Group generates revenue from the provision of Pledged Vehicle Monitoring Service and automobile dealership operation management services. The revenue from Pledged Vehicle Monitoring Service and automobile dealership operation management services were RMB575.0 million and RMB66.8 million respectively, for the year ended December 31, 2023. | Our audit procedures to assess the recognition of revenue for Pledged Vehicle Monitoring Service included the following:<br>• assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;<br>• involving KPMG IT audit specialists to test the design, implementation and operating effectiveness of VFS system, especially the IT application control of calculation of revenue from pledged vehicle monitoring and lockbox services and collective vehicle conformity certificate management service;<br>• assessing the appropriateness of the accounting policies adopted in revenue recognition for Pledged Vehicle Monitoring Service by inspecting the major terms, such as service obligations and collection terms in selected contracts; |

## KEY AUDIT MATTERS (Continued)

**Revenue recognition**

*Refer to the accounting policies in "Note 2(q) to the consolidated financial statements: Revenue and other income" and Note 4(a) to the consolidated financial statements.*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| Pledged Vehicle Monitoring Service includes providing pledged vehicle monitoring and lockbox services, collective vehicle conformity certificate management services and counting services (collectively the "**Pledge Vehicle Monitoring Services**") to financial institutions and automobile dealerships. The Group charges monthly fee for pledged vehicle monitoring and lockbox services and collective vehicle conformity certificate management service, the revenue of which are recognised over time. Revenues of pledged vehicle monitoring and lockbox services and collective vehicle conformity certificate management service are calculated by VFS system. The Group charges service fee for each counting service upon client's request, the revenue of which is recognised at a point in time when the Group provides counting services. | • as for the Pledge Vehicle Monitoring Services revenues generated from financial institutions, reconciling the revenues with bills sent to financial institutions; on a sample basis, confirming with financial institutions the billing amount for the year; for unreturned confirmations, performing the following alternative procedures: (i) checking the relevant periodic confirmation correspondence sent by the financial institutions, (ii) checking the subsequent cash collections; or (iii) performing recalculation;<br><br>• as for the Pledge Vehicle Monitoring Services revenues generated from automobile dealerships, obtaining the monthly service fee record (collectively the "**Report**") exported from the VFS system, assessing the reliability of the Report by checking to, on a sample basis, supporting documents including bank records, contracts, and recalculating all Pledge Vehicle Monitoring Services revenue generated from automobile dealerships. |

## KEY AUDIT MATTERS (Continued)

**Revenue recognition**

*Refer to the accounting policies in "Note 2(q) to the consolidated financial statements: Revenue and other income" and Note 4(a) to the consolidated financial statements.*

**The Key Audit Matter**

The Group charges automobile dealership operation management services fee based on a certain percentage of automobile dealerships' revenue agreed with the counter-party and confirmed in the written service agreement. The revenue of such service is recognised over time. The Group periodically obtains the financial statements of automobile dealerships and calculate services fee.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be subject to manipulation to meet targets or expectations.

**How the matter was addressed in our audit**

Our audit procedures to assess the recognition of revenue for automobile dealership operation management services included the following:

- assessing the appropriateness of the accounting policies adopted in revenue recognition for automobile dealership operation management service by inspecting major terms, such as service obligations and collection terms in selected contracts;
- checking the automobile dealerships' revenues provided by management with the revenues from the automobile dealerships' tax returns on a sample basis for accuracy and recalculating the management services fees based on the percentage stipulated in contracts;
- confirming the annual services fee charged with automobile dealerships on a sample basis.

## KEY AUDIT MATTERS (Continued)

**Assessing expected credit losses of trade receivables**

*Refer to the accounting policies in "Note 2(h)(i) to the consolidated financial statements: Credit losses from financial instruments", Note 3(a), 15 and 25(a) to the consolidated financial statements.*

**The Key Audit Matter**

As of December 31, 2023, the gross carrying amount of trade receivables was RMB163.0 million, and the loss allowances for these assets were RMB3.1 million.

Management measured the loss allowance at an amount equal to lifetime expected credit losses ("**ECLs**") for all trade receivables. The loss allowance was determined on the basis of the exposure at default and ECL rates, which considered the aging of the trade receivables and historical credit loss experience adjusted to reflect current and forward-looking information.

We identified ECL assessment for trade receivables as a key audit matter because it is subject to a high degree of estimation uncertainty. The inherent risk in relation to the loss allowances is considered significant due to the subjectivity of significant assumptions used, and the significant judgements involved in the grouping of trade receivables and the determination of ECL rates.

**How the matter was addressed in our audit**

Our audit procedures in relation to the ECL assessment for trade receivables included:

- understanding and assessing the design and implementation of key internal controls relating to ECLs;
- obtaining an understanding of the Group's methodology for the ECL model and evaluating the appropriateness of the model with reference to the requirements of IFRS 9 and peer practice;
- evaluating the reasonableness of significant assumptions used by management relating to ECL rates by considering (i) the appropriateness of historical period selection and the accuracy of historical loss rates, and (ii) the relevance of the macroeconomic factors considered when incorporating forward-looking information into the ECL measurement and the appropriateness of any adjustments for forward-looking information; and
- assessing whether items in the trade receivables ageing reports were categorised in the appropriate ageing buckets by testing the completeness and accuracy of the ageing reports generated by the financial reporting system on a sample basis.

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 28, 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Revenue** | *4(a)(i)* | **641,770** | 547,867 |
| Cost of sales | | **(359,083)** | (322,828) |
| **Gross profit** | | **282,687** | 225,039 |
| Net other income | *5* | **1,500** | 1,552 |
| Research and development expenses | | **(13,508)** | (9,027) |
| General and administrative expenses | | **(143,460)** | (76,984) |
| Sales and marketing expenses | | **(6,066)** | (7,126) |
| Impairment loss | | **(1,003)** | (2,555) |
| **Profit from operations** | | **120,150** | 130,899 |
| Net finance expense | *6(a)* | **(2,260)** | (3,273) |
| **Profit before taxation** | *6* | **117,890** | 127,626 |
| Income tax expense | *7* | **(15,567)** | (31,714) |
| **Profit for the year** | | **102,323** | 95,912 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **102,323** | 95,877 |
| Non-controlling interests | | **–** | 35 |
| **Profit for the year** | | **102,323** | 95,912 |
| **Earnings per share** | | | |
| Basic (RMB) | *10(a)* | **0.6762** | 0.6392 |
| Diluted (RMB) | *10(b)* | **0.6751** | 0.6392 |

The notes on pages 105 to 168 form part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Profit for the year** | **102,323** | 95,912 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation | **(182)** | – |
| **Other comprehensive income for the year** | **(182)** | – |
| **Total comprehensive income for the year** | **102,141** | 95,912 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **102,141** | 95,877 |
| Non-controlling interests | **–** | 35 |
| **Total comprehensive income for the year** | **102,141** | 95,912 |

The notes on pages 105 to 168 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Expressed in RMB

| | Note | December 31, 2023 RMB'000 | December 31, 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *11* | **2,867** | 2,790 |
| Intangible assets | *12* | **8,210** | 3,412 |
| Right-of-use assets | *13* | **6,909** | 5,829 |
| Deferred tax assets | *22(b)* | **568** | 1,512 |
| | | **18,554** | 13,543 |
| **Current assets** | | | |
| Trade receivables | *15* | **159,879** | 101,311 |
| Prepaid expenses and other current assets | *16* | **23,257** | 26,969 |
| Cash and cash equivalents | *17(a)* | **134,226** | 119,341 |
| | | **317,362** | 247,621 |
| **Current liabilities** | | | |
| Bank loans | *18* | **20,000** | 75,000 |
| Trade payables | *19* | **29,601** | 28,507 |
| Accrued expenses and other current liabilities | *20* | **85,924** | 58,012 |
| Contract liabilities | *4(a)(ii)* | **43,400** | 58,923 |
| Lease liabilities | *21* | **7,223** | 6,353 |
| Current tax liability | *22(a)* | **7,772** | 22,180 |
| | | **193,920** | 248,975 |
| **Net current assets/(liabilities)** | | **123,442** | (1,354) |
| **Total assets less current liabilities** | | **141,996** | 12,189 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

**Expressed in RMB**

| | *Note* | **December 31, 2023 RMB'000** | December 31, 2022 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | *21* | **83** | 64 |
| | | **83** | 64 |
| **NET ASSETS** | | **141,913** | 12,125 |
| **Equity** | | | |
| Share capital | *24(a)* | **1** | 1 |
| Treasury shares | *23* | **(4,325)** | – |
| Reserves | *24(b)* | **146,237** | 12,124 |
| **Total equity attributable to shareholders of the Company** | | **141,913** | 12,125 |
| **Non-controlling interests** | | **–** | – |
| **TOTAL EQUITY** | | **141,913** | 12,125 |

Approved and authorized for issue by the board of directors on March 28, 2024.

**Bo Shijiu**
*Chief Executive Officer and Executive Director*

**Tan Zhengyang**
*Financial Controller*

The notes on pages 105 to 168 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

| | | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Share capital *RMB'000* *Note 24(a)* | Treasury shares *RMB'000* *Note 23* | Capital reserves *RMB'000* *Note 24(b)* | PRC statutory reserves *RMB'000* *Note 24(b)* | Exchange reserves *RMB'000* *Note 24(b)* | Accumulated (loss)/ earnings *RMB'000* *Note 24(c)* | Total *RMB'000* | Non-controlling interest *RMB'000* | Total equity *RMB'000* |
| **Balance as of January 1, 2022** | | 1 | – | 100,000 | – | – | (83,788) | 16,213 | – | 16,213 |
| **Changes in equity for 2022:** | | | | | | | | | | |
| Net profit | | – | – | – | – | – | 95,877 | 95,877 | 35 | 95,912 |
| Capital injection from non-controlling shareholder | | – | – | 49 | – | – | – | 49 | 961 | 1,010 |
| Impact of the Reorganization | | – | – | (100,014) | – | – | – | (100,014) | (996) | (101,010) |
| Appropriation to statutory reserves | | – | – | – | 1,868 | – | (1,868) | – | – | – |
| **Balance as of December 31, 2022 and January 1, 2023** | | 1 | – | 35 | 1,868 | – | 10,221 | 12,125 | – | 12,125 |
| **Changes in equity for 2023:** | | | | | | | | | | |
| Net profit | | – | – | – | – | – | 102,323 | 102,323 | – | 102,323 |
| Other comprehensive income | | – | – | – | – | (182) | – | (182) | – | (182) |
| Shares issued under Pre-IPO Restricted Share Plan | *23* | – | (4,325) | 4,325 | – | – | – | – | – | – |
| Share-based compensation | *23* | – | – | 27,647 | – | – | – | 27,647 | – | 27,647 |
| Appropriation to statutory reserves | | – | – | – | 16,918 | – | (16,918) | – | – | – |
| Balance as of December 31, 2023 | | 1 | (4,325) | 32,007 | 18,786 | (182) | 95,626 | 141,913 | – | 141,913 |

The notes on pages 105 to 168 form part of these financial statements.

# CONSOLIDATED CASH FLOWS STATEMENT

**For the year ended December 31, 2023**

| | Note | December 31, 2023 RMB'000 | December 31, 2022 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | *17(b)* | **104,385** | 97,355 |
| Income taxes paid | | **(29,031)** | (15,325) |
| **Net cash generated from operating activities** | | **75,354** | 82,030 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(1,057)** | (1,024) |
| Net receipt from related parties | | **8,253** | 114,634 |
| Purchase for acquisition of intangible assets | | **(3,461)** | – |
| Receipt of loan to a third party | | **–** | 4,800 |
| Interest received | | **–** | 174 |
| **Net cash generated from investing activities** | | **3,735** | 118,584 |
| **Cash flows from financing activities** | | | |
| Proceed from bank loans | *17(c)* | **45,000** | 75,000 |
| Repayment of bank loans | *17(c)* | **(100,000)** | (50,000) |
| Interest paid | *17(c)* | **(1,950)** | (3,174) |
| Issuance of restricted shares | *23* | **4,325** | – |
| Payment of lease liabilities | *17(c)* | **(7,702)** | (4,108) |
| Capital injection from non-controlling shareholder | | **–** | 1,010 |
| Cash paid in connection with the Reorganization | | **–** | (101,010) |
| Listing expenses paid | | **(3,776)** | (524) |
| **Net cash used in financing activities** | | **(64,103)** | (82,806) |
| **Net increase in cash and cash equivalents** | | **14,986** | 117,808 |
| **Cash and cash equivalents at the beginning of the year** | | **119,341** | 1,533 |
| Effect of foreign exchange rate changes | | **(101)** | – |
| **Cash and cash equivalents at the end of the year** | | **134,226** | 119,341 |

The notes on pages 105 to 168 form part of these financial statements.

## 1 PRINCIPAL ACTIVITIES AND ORGANIZATION

Changjiu Holdings Limited (the "**Company**"), formerly known as Changjiu Digital Technology Limited, was incorporated in the Cayman Islands on June 16, 2021 as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands. On September 19, 2023, the Company changed its name from Changjiu Digital Technology Limited to Changjiu Holdings Limited.

The Company is an investment holding company. The Company and its subsidiaries (together as the "**Group**") are principally engaged in the provision of pledged vehicle monitoring service and automobile dealership operation management service (the "**Businesses**") across Mainland China.

To rationalize the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Group underwent a reorganization (the "**Reorganization**").

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the above-mentioned principal activities were carried out by Jilin Changjiu Industrial Group Co., Ltd ("**Changjiu Industrial**") and its subsidiaries, Changjiu Jinfu Enterprise Management Consultation (Shenzhen) Co., Ltd ("**Changjiu Jinfu**") and Shanghai Bozhong Digital Technology Co., Ltd ("**Shanghai Bozhong**"). In particular, the pledged vehicle monitoring services business was initially carried out by a separate division of Changjiu Industrial and then later transferred to Changjiu Jinfu as part of the Reorganization. At the end of 2021, the pledged vehicle monitoring services business was solely carried out by Changjiu Jinfu.

As part of the Reorganization, in May 2022, Shanghai Bozhong acquired the pledged vehicle monitoring service business through the purchase of the 100% shares of Changjiu Jinfu at a cash consideration of RMB101.0 million. Since then, Shanghai Bozhong becomes the sole shareholder of Changjiu Jinfu.

The above mentioned businesses are under the common control of Mr. Bo Shijiu and his spouse, Ms. Li Guiping (together, the "**Ultimate Controlling Shareholders**") before and after the Reorganization and the control is not transitory. As such, there has been a continuation of risks and benefits to the Ultimate Controlling Shareholders that existed prior to the Reorganization. Accordingly, the Reorganization has been accounted for as business combination involving entities under common control.

Upon completion of the Reorganization on May 30, 2022, the Company became the holding company of the subsidiaries now comprising the Group.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") on January 9, 2024.

## 2 MATERIAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2023 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies

The Group has applied the following new and amended IFRSs issued by the IASB to these financial statements for the current accounting period.

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the lease liabilities and the right-of-use assets. Except for that, adopting these accounting policies does not have a material effect on the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Adoption of the new and amended IFRSs does not have material impact on financial statements.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, transactions and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(h)(ii)).

Any gains or losses on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight line method over their estimated useful lives, and is generally recognized in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| – Office equipment | 1–5 years |
| – Electronic equipment | 1–5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (f) Intangible assets

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(h)(ii)). There were no development expenditure capitalized as intangible assets as of December 31, 2023 and 2022.

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(h)(ii)).

Expenditure on internally generated goodwill and brands is recognized in profit or loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| – Software | 3–10 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (g) Lease assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

#### As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, plus and any initial direct costs incurred and costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)). The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (g) Lease assets (Continued)

#### As a lessee (Continued)

Refundable rental deposits are accounted for separately from the right-of-use assets at amortized cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

### (h) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables).

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and the expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (h) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

*Measurement of ECLs (Continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (h) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (h) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (i) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see Note 2(q)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(h)(i)) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(j)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(q)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(j)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### (j) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(h)(i)).

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(h)(i)).

### (l) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognized in accordance with Note 2(s).

### (n) Employee benefits

#### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

#### (iii) Share-based compensation

The Company adopts share incentive plan, under which it receives services from director and employees as consideration for equity instruments (including share options and restricted shares) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (share options and restricted shares) is recognized as an expense in the consolidated statements of profit or loss.

*Share options*

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (n) Employee benefits (Continued)

#### (iii) Share-based compensation (Continued)

*Restricted shares*

For grant of restricted shares, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

The total expense is recognized over the lock-up period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to unlock based on service condition. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

*Share-based compensation transaction among group entities*

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

*Modifications and Cancellations*

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (o) Income tax

Income tax comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (p) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (q) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services and recognizes revenue over time, if one of the following criteria is met:

– The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (q) Revenue and other income (Continued)

#### (i) Revenue from contracts with customers (Continued)

The Group principally generates its revenue from rendering of pledged vehicle monitoring service and automobile dealership operation management service.

(a) *Pledged vehicle monitoring service*

The Group provides pledged vehicle monitoring services to its customers, primarily monitoring of pledged vehicles and keeping vehicle conformity certificates and car keys, to protect the interest of financial institutions that have entered into financing credit arrangements with automobile dealerships. The Group recognizes revenue from pledged vehicle monitoring services on a straight-line basis over time as the customers simultaneously receives and consumes the benefits throughout the period during the services are provided. Additionally, the Group provides on-site supervision services, such as vehicles sales invoices check and physical check, such revenue is recognized at point in time when the service is rendered.

(b) *Automobile dealership operation management service*

The Group provides operation management service to automobile dealerships that seek more optimal business and financial performance and receives management service fee which is determined based on a percentage of operation income or operation profit generated by automobile dealerships during the services period. The percentage is based on the terms specific in the service contract with automobile dealerships. As a result, the management service fee includes variable consideration. The Group estimates variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Group recognized revenue from operation management services over time as the customers simultaneously receives and consumes the benefits throughout the period during the services are provided.

#### (ii) Interest income

Interest income is recognized using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (q) Revenue and other income (Continued)

#### (iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### (r) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

The functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

### (s) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

### (a) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

### (b) Fair value of share-based payments

As mentioned in Note 23, the Group has granted restricted shares and shares options to one director and certain employees. The Group has used discounted cash flow method to determine underlying equity value of the Group, then discount for lack of marketability is estimated to determine the fair value of restricted shares. The Group has used binomial option-pricing model to determine the total fair value of the options granted to one director and certain employees. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Group in applying the binomial option-pricing model.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are providing pledged vehicle monitoring service and automobile dealership operation management service in Mainland China.

#### (i) The amount of each significant category of revenue is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Pledged vehicle monitoring service | **574,992** | 505,049 |
| Automobile dealership operation management services | **66,778** | 42,818 |
| | **641,770** | 547,867 |

During the years, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective year are set out below:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Customer A | **117,251** | 89,801 |
| Customer B | **92,585** | 81,147 |
| Customer C | **76,528** | 61,483 |

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Point-in-time | **13,783** | 16,317 |
| Over-time | **627,987** | 531,550 |
| | **641,770** | 547,867 |

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (a) Revenue (Continued)

#### (i) The amount of each significant category of revenue is as follows: (Continued)

*Remaining Performance Obligation*

The Group has elected the practical expedient not to disclose the value of remaining performance obligations for contracts in which the Group recognizes revenue at the amount to which the Group has the right to invoice.

#### (ii) Contract Liabilities

The Group collected payments in advance from customers primarily for providing pledged vehicle monitoring services and automobile dealership operation management services. The Group has recognized the following liabilities related to contracts with customers under "contract liabilities":

| | *Note* | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|---|
| **Contract liabilities** | | | |
| – third parties | | **41,404** | 53,191 |
| – related parties | *26(d)* | **1,996** | 5,732 |
| | | **43,400** | 58,923 |

The balance of contract liabilities with related parties is trade in nature.

*Movements in contract liabilities*

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Balance at January 1 | **58,923** | 69,426 |
| Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year | **(48,430)** | (54,978) |
| Increase in contract liabilities during the year | **46,082** | 59,337 |
| Decrease in contract liabilities as a result of transferring to other payables to customers | **(13,175)** | (14,862) |
| Balance at December 31 | **43,400** | 58,923 |

All of the contract liabilities are expected to be recognized as income within one year.

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting

The Group manages its businesses by business line. In a manner consistent with the way in the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments: pledged vehicle monitoring service and automobile dealership operation management service.

For the purpose of assessing segment performance and allocating between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment. Other items in profit or loss are not allocated to reportable segment.

Revenue and cost are allocated to the reportable segment with reference to sales generated by those segments and the cost incurred by those segments.

Other information, together with the segment information, provided to the Group's senior executive management, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

The amount of each significant category of revenue recognized is as follows:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Pledged vehicle monitoring service RMB'000 | Automobile dealership operation management service RMB'000 | Total RMB'000 |
| Segment revenue | 574,992 | 66,778 | 641,770 |
| Segment cost | (322,078) | (37,005) | (359,083) |
| Gross profit | 252,914 | 29,773 | 282,687 |

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Pledged vehicle monitoring service RMB'000 | Automobile dealership operation management service RMB'000 | Total RMB'000 |
| Segment revenue | 505,049 | 42,818 | 547,867 |
| Segment cost | (295,359) | (27,469) | (322,828) |
| Gross profit | 209,690 | 15,349 | 225,039 |

All of the Group's operating assets are located in Mainland China and all of the Company's revenue and operating profits are derived from Mainland China. Accordingly, no segment analysis based on geographical locations is provided.

The reconciliation of segment gross profit to profit before taxation for the years ended December 31, 2023 and 2022 are presented in the consolidated statements of profit or loss of the Group.

## 5 NET OTHER INCOME

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Government grants | **13** | 416 |
| Extra deduction of input VAT | **1,057** | 843 |
| Net exchange gains | **81** | – |
| Others | **349** | 293 |
| | **1,500** | 1,552 |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Net finance expense

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Interest expense on bank loans | **1,950** | 3,174 |
| Interest expense on lease liabilities | **649** | 298 |
| Other financial income | **(339)** | (199) |
| | **2,260** | 3,273 |

### (b) Staff costs

| | *Note* | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Salaries, wages, and other benefits | | **93,838** | 64,912 |
| Contributions to defined contribution retirement plan *(Note (i))* | | **9,688** | 8,615 |
| Share-based compensation expenses | *23* | **27,647** | – |
| Termination benefits | | **1,789** | 364 |
| | | **132,962** | 73,891 |

*Note (i):* Employees of the Group's subsidiaries in the Mainland China are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

## 6 PROFIT BEFORE TAXATION (Continued)

### (c) Other items

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Subcontracting costs | **317,363** | 290,239 |
| Technology and professional service fees | **15,218** | 20,360 |
| Depreciation and amortization charges | | |
| – property, plant, and equipment | **980** | 1,276 |
| – right-of-use assets | **6,862** | 4,439 |
| – intangible assets | **1,171** | 792 |
| Impairment losses/(reversals) | | |
| – trade receivables | **1,303** | 2,213 |
| – other receivables | **(300)** | 342 |
| Auditors' remuneration | **3,424** | 7 |
| Listing expenses | **24,382** | 2,132 |

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

### (a) Taxation in the consolidated statements of profit or loss represents:

| | *Note* | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| **Current tax** | | | |
| – PRC Enterprise Income Tax ("**EIT**") Provision for the year | *22(a)* | **27,679** | 32,895 |
| – Effect of change of tax rate in respect of prior year *(Note (iii))* | *22(a)* | **(13,056)** | – |
| | | **14,623** | 32,895 |
| **Deferred tax** | | | |
| – Reversal/(origination) of temporary differences | *22(b)* | **944** | (1,181) |
| | | **15,567** | 31,714 |

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (Continued)

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Profit before taxation** | **117,890** | 127,626 |
| Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions | **36,515** | 31,906 |
| Tax effect of: | | |
| Preferential tax rate *(Note(iii))* | **(18,402)** | – |
| Non-deductible other expenses and losses | **1,417** | 1,601 |
| Super deduction for research and development expenses | **(1,028)** | (1,793) |
| Non-deductible share-based compensation expenses | **6,069** | – |
| Effect of change of tax rate in respect of prior year *(Note (iii))* | **(13,056)** | – |
| Losses for which no deferred tax asset is recognized | **4,052** | – |
| **Actual income tax expense** | **15,567** | 31,714 |

*Notes:*

**(I) CAYMAN ISLANDS**

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

**(II) HONG KONG**

The Company's Hong Kong subsidiary, incorporated in July 2021, is subject to a profits tax rate of 8.25% for the first HKD2,000,000 of assessable profit and 16.5% for profit exceeding HKD2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax for the period from date of incorporation to the year ended December 31, 2023 and 2022.

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (Continued)

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates (Continued)

*Notes: (Continued)*

#### (III) MAINLAND CHINA

Except for Changjiu Jinfu, all subsidiaries established in Mainland China are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the "**EIT Law**") for the years ended December 31, 2023 and 2022.

In December 2023, Changjiu Jinfu confirmed with related tax authority that it was entitled to be subject to an income tax rate of 15% during the years for the period from January 1, 2022 to December 31, 2025 according to Notice of Taxation on Continuing the Preferential Policies for Enterprise Income Tax in Qianhai Shenzhen Hong Kong Modern Service Industry Cooperation Zone issued by the Ministry of Finance and the State Taxation Administration. Changjiu Jinfu accrued income tax expense based on income tax rate of 25% in 2022. As a result, Changjiu Jinfu recognized effect of change of tax rate in respect of prior year with an amount of RMB13.1 million in profit or loss of 2023.

#### (IV) WITHHOLDING TAX ON UNDISTRIBUTED DIVIDENDS

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("**FIE**") to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company has not declared or paid, or planned to declare, any dividend to its shareholders from the profits generated during the years ended December 31, 2023 and 2022. Therefore, the Company has not recorded any withholding tax on any profits generated by the PRC operation entities.

## 8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | Year ended December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Directors' fee RMB'000 | Salaries allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Share-based compensation expense (iii) RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | | |
| Bo Shijiu | – | 2,256 | 504 | 58 | – | 2,818 |
| Li Guiping | – | 530 | 42 | 53 | – | 625 |
| Jia Hui *(Note (i))* | – | 880 | 628 | 63 | 4,194 | 5,765 |
| **Non-executive director** | | | | | | |
| Jin Ting (appointed on April 12, 2023) | – | – | – | – | – | – |
| **Independent non-executive directors** | | | | | | |
| Shen Jinjun (appointed on December 11, 2023) | – | – | – | – | – | – |
| Dong Yang (appointed on December 11, 2023) | – | – | – | – | – | – |
| Wang Fukuan (appointed on December 11, 2023) | – | – | – | – | – | – |
| | – | 3,666 | 1,174 | 174 | 4,194 | 9,208 |

## 8 DIRECTORS' EMOLUMENTS (Continued)

| | Year ended December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Directors' fee RMB'000 | Salaries allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Share-based compensation expense (iii) RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | | |
| Bo Shijiu | – | – | – | – | – | – |
| Li Guiping | – | – | – | – | – | – |
| Jia Hui *(Note (i))* | – | 900 | 560 | 58 | – | 1,518 |
| | – | 900 | 560 | 58 | – | 1,518 |

*Notes:*

(i) Ms. Jia Hui is a key management personnel of the Group and was appointed as a director of the Company in April 2023. The remuneration disclosed above represented the compensation for her services as key management personnel.

(ii) During the year, no emoluments were paid by the Group to the director or any of highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director or any of highest paid individuals of the Group waived or agreed to waive any emoluments during the year.

(iii) These represent the estimated value of share-based compensation granted to the directors under the Company's share-based compensation scheme. The value of this share-based compensation is measured according to the Company's accounting policies for share-based payment transactions as set out in Note 2(n)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of share-based compensation granted, are disclosed under the paragraph "share-incentive schemes" in the directors' report and Note 23.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Salaries, allowances, and benefits in kind | **3,146** | 3,090 |
| Discretionary bonuses | **1,222** | 175 |
| Share-based compensation expenses | **8,679** | – |
| Retirement scheme contributions | **242** | 191 |
| **Total** | **13,289** | 3,456 |

The emoluments of the four (2022: four) individuals with the highest emoluments are all within the following bands:

| | **2023**<br>**Number of**<br>**individuals** | 2022<br>Number of<br>individuals |
|---|---|---|
| Nil–HKD1,000,000 | **–** | 2 |
| HKD1,000,001–HKD1,500,000 | **–** | 2 |
| HKD1,500,001–HKD2,000,000 | **–** | – |
| HKD2,000,001–HKD2,500,000 | **–** | – |
| HKD2,500,001–HKD3,000,000 | **–** | – |
| HKD3,000,001–HKD3,500,000 | **2** | – |
| HKD3,500,001–HKD4,000,000 | **1** | – |
| HKD4,000,001–HKD4,500,000 | **1** | – |

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB101.4 million (2022: RMB95.9 million) and the weighted average of 150,000,000 ordinary shares (2022: 150,000,000 shares after adjusting for the share subdivision in 2023 as described in Note 24(a)) in issue during the year. The profit attributable to restricted shares held for the Pre-IPO Restricted Share Plan (see Note 23) and the number of such shares have been excluded from the calculation of basic earnings per share.

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| Profit attributable to all equity shareholders of the Company (RMB'000) | | **102,323** | 95,877 |
| Less: profit attributable to grantees of the Pre-IPO Restricted Share Plan | | **(900)** | – |
| Profit attributable to ordinary equity shareholders of the Company (RMB'000) | | **101,423** | 95,877 |
| Weighted average number of ordinary shares | *24(a)* | **150,000,000** | 150,000,000 |
| Basic earnings per share attributable to ordinary equity shareholders of the Company (in RMB per share) | | **0.6762** | 0.6392 |

## 10 EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB101.4 million (2022: RMB95.9 million) and the weighted average number of ordinary shares of 150,243,421 shares (2022: 150,000,000 shares after adjusting for the share subdivision in 2023 as described in Note 24(a)), calculated as follows:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| Profit attributable to ordinary equity shareholders (diluted) (RMB'000) | | **101,423** | 95,877 |
| Weighted average number of ordinary shares as of December 31 | *24(a)* | **150,000,000** | 150,000,000 |
| Effect of deemed issue of shares under the Company's Pre-IPO Share Option Plan | *23* | **243,421** | – |
| Weighted average number of ordinary shares (diluted) as of December 31 | | **150,243,421** | 150,000,000 |
| Diluted earnings per share attributable to ordinary equity shareholders of the Company (in RMB per share) | | **0.6751** | 0.6392 |

Restricted shares granted under Pre-IPO Restricted Share Plan (see Note 23) were not included in the calculation of diluted earnings per share for the year ended December 31, 2023 because their effect would have been anti-dilutive.

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Electronic equipment RMB'000 | Office equipment RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost:** | | | |
| As of January 1, 2022 | 16,501 | 8,732 | 25,233 |
| Additions | 419 | 605 | 1,024 |
| As of December 31, 2022/January 1, 2023 | 16,920 | 9,337 | 26,257 |
| Additions | 273 | 784 | 1,057 |
| **As of December 31, 2023** | **17,193** | **10,121** | **27,314** |
| **Accumulated depreciation:** | | | |
| As of January 1, 2022 | (14,947) | (7,244) | (22,191) |
| Charge for the year | (717) | (559) | (1,276) |
| As of December 31, 2022/January 1, 2023 | (15,664) | (7,803) | (23,467) |
| Charge for the year | (587) | (393) | (980) |
| **As of December 31, 2023** | **(16,251)** | **(8,196)** | **(24,447)** |
| **Net book value:** | | | |
| **As of December 31, 2023** | **942** | **1,925** | **2,867** |
| As of December 31, 2022 | 1,256 | 1,534 | 2,790 |

## 12 INTANGIBLE ASSETS

| | Note | Software RMB'000 |
|---|---|---|
| **Cost:** | | |
| As of January 1, 2022 | | 7,459 |
| Additions | | – |
| As of December 31, 2022/January 1, 2023 | | 7,459 |
| Additions | *(i)* | 5,969 |
| **As of December 31, 2023** | | **13,428** |
| **Accumulated amortization:** | | |
| As of January 1, 2022 | | (3,255) |
| Charge for the year | | (792) |
| As of December 31, 2022/January 1, 2023 | | (4,047) |
| Charge for the year | | (1,171) |
| **As of December 31, 2023** | | **(5,218)** |
| **Net book value:** | | |
| **As of December 31, 2023** | | **8,210** |
| As of December 31, 2022 | | 3,412 |

*Note (i):* The addition of intangible asset with amount of RMB5.7 million is purchased from a related party and settled by offsetting the amount due from the related party.

## 13 RIGHT-OF-USE ASSETS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Cost:** | | |
| As of January 1 | **12,297** | 8,770 |
| Inception of leases | **8,001** | 9,830 |
| Expiration of leases | **(6,251)** | – |
| Termination of leases | **(59)** | (6,303) |
| As of December 31 | **13,988** | 12,297 |
| **Accumulated depreciation:** | | |
| As of January 1 | **(6,468)** | (4,130) |
| Charge for the year | **(6,862)** | (4,439) |
| Expiration of leases | **6,251** | – |
| Termination of leases | **–** | 2,101 |
| As of December 31 | **(7,079)** | (6,468) |
| **Net book value:** | | |
| As of December 31 | **6,909** | 5,829 |

## 14 INVESTMENT IN SUBSIDIARIES

| | *Note* | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Investment in a subsidiary | *(i)* | **–** | – |
| Deemed investment arising from share-based compensation | *(ii)* | **27,647** | – |
| **Total** | | **27,647** | – |

Expressed in RMB

## 14 INVESTMENT IN SUBSIDIARIES (Continued)

*Notes:*

(i) The share capital of the subsidiary directly held by the Company was not paid up as of December 31, 2023.

The following list contains the subsidiaries as of December 31, 2023:

| Company names | Place and date of incorporation | Particulars of issued and Registered Capital | Proportion of ownership interest Held by the Company | Proportion of ownership interest Held by the Subsidiary | Principal activities and place of operation |
|---|---|---|---|---|---|
| **Directly held** | | | | | |
| Hong Kong Changjiu Digital Technology Limited *(Note (ii))* | Hong Kong July 15, 2021 | 1 ordinary share USD1 | 100% | – | Investing holding company in Hong Kong |
| **Indirectly held** | | | | | |
| Shanghai Bozhong (上海鉑中數字科技有限公司) *(Note (i)(iii))* | Shanghai, PRC September 6, 2021 | RMB3,000,000 | – | 100% | Automobile dealership operation management service in PRC |
| Changjiu Jinfu (長久金孚企業管理諮詢(深圳)有限公司) *(Note (i)(iii))* | Shenzhen, PRC September 9, 2016 | RMB101,010,100 | – | 100% | Pledged vehicle monitoring services in PRC |

*Notes:*

(i) The official names of these entities are in Chinese. The English names are for identification purpose only. The nature of all the legal entities established in Mainland China is limited liability company.

(ii) The entity prepared the financial statements for the period from the date of incorporation to December 31, 2022 in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and have been properly prepared in compliance with the Hong Kong Companies Ordinance. The financial statements were audited by LINKERS CPA LIMITED. The statutory financial statements for the year ended December 31, 2023 were not yet available as of the date of this report.

(iii) The entities prepared the financial statements in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the year ended December 31, 2022 were audited by Beijing Dongshen Certified Public Accountants LLP (北京東審會計師事務所(特殊普通合夥)). The statutory financial statements of entities for the year ended December 31, 2023 were not yet available as of the date of this report.

(ii) The amount represents share-based compensation expenses arising from the grant of share options and restricted shares of the Company to certain employees of the subsidiaries in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

## 15 TRADE RECEIVABLES

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Trade receivables | | | |
| – third parties | | **139,736** | 94,948 |
| – related parties | *26(d)* | **23,276** | 9,284 |
| Less: loss allowance | | **(3,133)** | (2,921) |
| **Trade receivables, net** | | **159,879** | 101,311 |

All of the trade receivables are expected to be recovered within one year. The balance of trade receivables with related parties is trade in nature.

The Group's trade receivable from financial institutions with carrying values of approximately RMB133.0 million as of December 31, 2023 were pledged to secure certain bank loans granted to the Group (Note 18).

### Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Within 3 months (inclusive) | **118,290** | 82,032 |
| 3 months to 6 months (inclusive) | **30,321** | 11,190 |
| 6 months to 1 year (inclusive) | **8,912** | 7,862 |
| Over 1 year | **5,489** | 3,148 |
| Less: loss allowance | **(3,133)** | (2,921) |
| **Trade receivables, net** | **159,879** | 101,311 |

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 25(a).

## 16 PREPAID EXPENSES AND OTHER CURRENT ASSETS

### The Group

| | Note | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| Amounts due from related parties | *26(d)* | **11,262** | 25,179 |
| Prepaid expenses | | **8,867** | 605 |
| Input valued-added tax recoverable | | **2,559** | – |
| Deposits | | **569** | 287 |
| Prepaid income tax | | **–** | 898 |
| Less: loss allowance | | **–** | – |
| **Total** | | **23,257** | 26,969 |

All of the prepaid expenses and other current assets are expected to be recovered or recognized as expense within one year. The balance of amount due from related parties is non-trade in nature.

Movement in the loss allowance account in respect of financial assets measured at amortized cost during the year is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Balance at January 1 | **–** | 422 |
| Loss allowance (reversed)/recognized during the year | **(300)** | 342 |
| Written off | **–** | (764) |
| Recovery | **300** | – |
| Balance as of December 31 | **–** | – |

### The Company

As of December 31, 2023, the prepaid expenses and other current assets primarily consists of the listing expenses that will be deducted from equity upon the Listing or recognized as expense within one year.

## 17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise

#### The Group

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Cash at banks | **134,226** | 119,341 |

As of December 31, 2023, cash and cash equivalents of the Group situated in Mainland China amounted to RMB134.2 million (2022: RMB119.3 million). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

#### The Company

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Cash at banks | **2,466** | – |

As of December 31, 2023, cash and cash equivalents of the Company situated in Mainland China amounted to RMB2.5 million (2022: nil). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

## 17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of profit before taxation to cash generated from operations

| | *Note* | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| Profit before taxation | | **117,890** | 127,626 |
| **Adjustments for:** | | | |
| Depreciation of property, plant, and equipment | | **980** | 1,276 |
| Depreciation of right-of-use assets | | **6,862** | 4,439 |
| Amortization of intangible assets | | **1,171** | 792 |
| Net exchange gains | | **(81)** | – |
| Impairment losses | | **1,003** | 2,555 |
| Finance cost | | **2,599** | 3,298 |
| Share-based compensation expenses | *23* | **27,647** | – |
| **Operating profit before changes in working capital** | | **158,071** | 139,986 |
| **Changes in working capital** | | | |
| Increase in trade receivables | | **(59,871)** | (43,663) |
| Increase in prepaid expenses and other current assets | | **(2,973)** | (109) |
| Increase in trade payables | | **1,094** | 3,038 |
| Decrease in contract liabilities | | **(15,523)** | (10,503) |
| Increase in accrued expenses and other liabilities | | **23,587** | 8,606 |
| **Net cash generated from operations** | | **104,385** | 97,355 |

## 17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

| | Bank loans RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As of January 1, 2023** | 75,000 | 6,417 | 81,417 |
| **Changes from financing cash flows:** | | | |
| Proceeds from bank loans | 45,000 | – | 45,000 |
| Repayment of bank loans | (100,000) | – | (100,000) |
| Interest paid | (1,950) | – | (1,950) |
| Payment of lease liabilities | – | (7,702) | (7,702) |
| **Other changes:** | | | |
| Increase in lease liabilities | – | 8,001 | 8,001 |
| Termination of leases | – | (59) | (59) |
| Interest expenses | 1,950 | 649 | 2,599 |
| **As of December 31, 2023** | 20,000 | 7,306 | 27,306 |

## 17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (c) Reconciliation of liabilities arising from financing activities (Continued)

| | Bank loans RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| As of January 1, 2022 | 50,000 | 4,693 | 54,693 |
| **Changes from financing cash flows:** | | | |
| Proceeds from new bank loans | 75,000 | – | 75,000 |
| Repayment of bank loans | (50,000) | – | (50,000) |
| Interest paid | (3,174) | – | (3,174) |
| Payment of lease liabilities | – | (4,108) | (4,108) |
| **Other changes:** | | | |
| Increase in lease liabilities | – | 9,830 | 9,830 |
| Termination of leases | – | (4,296) | (4,296) |
| Interest expenses | 3,174 | 298 | 3,472 |
| As of December 31, 2022 | 75,000 | 6,417 | 81,417 |

### (d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Within financing cash flows | **7,702** | 4,108 |

These amounts relate to the following:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Lease rentals paid | **7,702** | 4,108 |

## 18 BANK LOANS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Bank loans | **20,000** | 75,000 |

The Group borrowed short-term loans of RMB75.0 million under facility agreements at the interest rate of 4.600% per annum as of December 31, 2022.The loan is guaranteed by Ultimate Controlling Shareholders and Changjiu Industrial, which are related parties of the Group. The bank loan as of December 31, 2022 was fully repaid and guarantee was released in April 2023.

The Group renewed above facility agreement for a line of credit of RMB60.0 million for one year in April 2023. The Group borrowed short-term loan of RMB10.0 million under such facility agreement at the interest rate of 4.600% per annum as of December 31, 2023. The agreement is pledged by the Group's trade receivables from financial institutions with an initial amount of RMB89.2 million and changed from time to time.

The Group entered into a new facility agreement with another commercial bank in the PRC for a line of credit of RMB10.0 million from December 14, 2023 to July 30, 2024. The Group borrowed short-term loan of RMB10.0 million under such facility agreement at the interest rate of 3.850% per annum as of December 31, 2023.

## 19 TRADE PAYABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Trade payables | | |
| – third parties | **29,601** | 28,507 |
| | **29,601** | 28,507 |

As of the end of each reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Within 6 months | **29,601** | 28,507 |
| | **29,601** | 28,507 |

All of the trade payables are expected to be settled within one year or are repayable on demand.

## 20 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

### The Group

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Other payables to customers *(Note (i))* | | **37,464** | 26,634 |
| Accrued payroll and welfare | | **16,578** | 15,209 |
| Value-Added Tax and surcharges payable | | **9,550** | 10,168 |
| Deposit received from third parties | | **2,327** | 2,603 |
| Amounts due to related parties | *26(d)* | **1,301** | 1,301 |
| Restricted shares repurchase liability | *23* | **4,325** | – |
| Accrued listing expenses | | **4,369** | – |
| Others | | **10,010** | 2,097 |
| **Total** | | **85,924** | 58,012 |

*Note (i):* Other payables to customers primarily represent advance payment of pledged vehicle monitoring service received from automobile dealerships which had terminated their financing relationship with financial institutions or automobile dealerships whose obligation to pay service fee has been transferred to financial institutions during the service period. The Group is obligated to refund the amounts when demanded.

The balance of amounts due to related parties is trade in nature.

### The Company

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Amounts due to subsidiaries | | **26,218** | 2,656 |
| Restricted shares repurchase liability | *23* | **4,325** | – |
| Accrued listing expenses | | **4,369** | – |
| Others | | **3,417** | – |
| **Total** | | **38,329** | 2,656 |

The amounts due to subsidiaries are non-trade nature, which are unsecured and repayable on demand.

All of the accrued expenses and other current liabilities are expected to be settled within one year or are repayable on demand.

## 21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Maturity analysis-contractual undiscounted cash flows** | | |
| Within 1 year or on demand | 7,556 | 6,515 |
| More than 1 year but less than 2 years | 84 | 65 |
| Total undiscounted lease liabilities | 7,640 | 6,580 |
| Less: total future interest expenses | (334) | (163) |
| **Present value of lease liabilities** | 7,306 | 6,417 |
| **Lease liabilities included in the consolidated statements of financial position** | | |
| Current | 7,223 | 6,353 |
| Non-current | 83 | 64 |
| **Present value of lease liabilities** | 7,306 | 6,417 |

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Amounts recognized in profit or loss** | | |
| Interest on lease liabilities | 649 | 298 |
| **Amounts recognized in the consolidated statements of cash flows** | | |
| Total cash flow for leases | 7,702 | 4,108 |

## 22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### (a) Current taxation in the statement of financial position represents

Reconciliation to the consolidated statements of financial position:

| | Note | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| Balance as of January 1 | | **22,180** | 3,712 |
| Provision for current income tax for the year | *7(a)* | **27,679** | 32,895 |
| Effect of change of tax rate in respect of prior year | *7(a)* | **(13,056)** | – |
| Payment during the year | | **(29,031)** | (14,427) |
| Balance as of December 31 | | **7,772** | 22,180 |

### (b) Deferred tax assets and liabilities recognized

#### (i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax assets/(liabilities) recognized in the statement of financial position and the movements during the year are as follows:

| Deferred tax arising from: | Deductible accumulative losses<br>RMB'000 | Impairment losses<br>RMB'000 | Lease liabilities and others<br>RMB'000 | Total deferred tax assets<br>RMB'000 | Right-of-use assets<br>RMB'000 | Total deferred tax liabilities<br>RMB'000 | Net<br>RMB'000 |
|---|---|---|---|---|---|---|---|
| January 1, 2022 | – | 330 | 1,161 | 1,491 | (1,160) | (1,160) | 331 |
| Credited/(charged) to profit or loss *(Note 7(a))* | 668 | 366 | 444 | 1,478 | (297) | (297) | 1,181 |
| As of December 31, 2022 and January 1, 2023 | 668 | 696 | 1,605 | 2,969 | (1,457) | (1,457) | 1,512 |
| (Charged)/credited to profit or loss *(Note 7(a))* | (668) | (158) | (955) | (1,781) | 837 | 837 | (944) |
| At December 31, 2023 | **–** | **538** | **650** | **1,188** | **(620)** | **(620)** | **568** |

## 22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

### (b) Deferred tax assets and liabilities recognized (Continued)

#### (ii) Reconciliation to the consolidated statements of financial position

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Total deferred tax assets | **1,188** | 2,969 |
| Total deferred tax liabilities | **(620)** | (1,457) |
| Net deferred tax assets recognized in the consolidated statement of financial position | **568** | 1,512 |

### (c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(o), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB4.1 million (2022: nil) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax loss incurred by a subsidiary of the Group located in the PRC will expire in five years since initial occurrence under current tax legislation.

## 23 SHARE-BASED COMPENSATION

During the year, the Group has the following share-based compensation arrangements:

### (i) Pre-IPO Restricted Share Plan

The Company adopted a Pre-IPO Restricted Share Plan and granted a total number of 1,620,000 restricted shares to one director and certain employees at a purchase price of RMB2.67 per share on March 7, 2023 through issuing shares to Yuanshenghe (Shanghai) Enterprise Management Partnership (Limited Partnership), which is a limited partnership with the grantees of the Pre-IPO Restricted Share Plan as the limited partners. The restricted shares would become unlocked in tranches from the grant date on specific service condition that the grantees remain in service and scheduled to be unlocked over four years without any performance condition requirements. Based on the schedules of the Pre-IPO Restricted Share Plan, 25% of restricted shares shall become unlocked upon each anniversary from the grant date thereafter of completed service.

## 23 SHARE-BASED COMPENSATION (Continued)

### (i) Pre-IPO Restricted Share Plan (Continued)

For the locked restricted shares, if the service conditions are not fulfilled and the corresponding tranche of restricted shares granted cannot be unlocked, unlocked restricted shares will be repurchased at the initial purchase price paid by the grantees, or plus interest in an amount equal to 6% of the initial purchase price in certain condition. For the unlocked restricted shares, if the grantee's employment is terminated by the Group, the unlocked restricted shares held prior to the listing of the Company will be repurchased at the initial purchase price paid by the grantees. Movements in the number of restricted shares granted and the weighted average grant date fair value as follows:

| | **Number of restricted shares** | **Weighted average grant date fair value per share** | **Remaining lock-up periods** |
|---|---|---|---|
| | | RMB | Year |
| Outstanding as of January 1, 2023 | – | – | – |
| Granted during the period | 1,620,000 | 10.17 | – |
| Outstanding as of December 31, 2023 | **1,620,000** | **10.17** | **1.68** |

Share-based compensation expenses related to Pre-IPO Restricted Share Plan is based on the grant date fair value of the restricted shares, and is recognized on a straight-line basis over the lock-up period of each tranches. The fair value of restricted shares at the grant date are determined by reference to the fair value of the underlying ordinary shares of the Company on the grant date, taking into account of the discount for lack of marketability and the purchase price. Discounted cash flow method was applied to determine the underlying equity value of the Company and the fair value of underlying ordinary shares. The grant date fair value of the restricted shares was determined with the assistance of an independent valuation firm.

Expressed in RMB

## 23 SHARE-BASED COMPENSATION (Continued)

### (ii) Pre-IPO Share Option Plan

The Company adopted a Pre-IPO Share Option Plan and granted a total number of 10,199,730 options to one director and certain employees with an exercise price of RMB6.67 pursuant to the Pre -IPO Share Option Plan on March 7, 2023. The grantees of the Pre-IPO Share Option Plan are required to satisfy certain vesting service and non-market performance conditions for the entitlements, and a maximum of 25% of the granted options are vested on each anniversary from the grant date subject to fulfilment of the respective vesting criteria.

Options granted typically expire in 10 years from the grant date. The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

Share-based compensation expenses related Pre-IPO Share Option Plan is based on the grant date fair value of the share options and awards ultimately expected to vest, and is recognized on a straight-line basis over the vesting period of each tranches.

A summary of activities of the share options is presented as follows:

| | Number of share options | Weighted average exercise price RMB | Weighted average remaining contractual term Year |
|---|---|---|---|
| Outstanding as of January 1, 2023 | – | – | – |
| Granted during the period | 10,199,730 | 6.67 | – |
| Forfeited during the period | (1,341,330) | 6.67 | – |
| Outstanding as of December 31, 2023 | **8,858,400** | **6.67** | **9.19** |
| Exercisable as of December 31, 2023 | **–** | **–** | **–** |

## 23 SHARE-BASED COMPENSATION (Continued)

### (ii) Pre-IPO Share Option Plan (Continued)

#### Fair value of share options

The fair value of share options was estimated using the binomial option-pricing model. The determination of estimated fair value of share options on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of the Company over the expected term of the awards, projected employee share option exercise behaviours, a risk-free interest rate and expected dividends, if any. The grant date fair values of the share options were determined with the assistance of an independent valuation firm.

Based on fair value of the underlying ordinary shares, the Group has used binomial option-pricing model to determine the fair value of the share options as of the grant date. Key assumptions are set as below:

| | **As of grant date** |
|---|---|
| Risk-free interest rates | 2.9% |
| Expected term – years | 10 |
| Expected volatility | 43.4% |
| Exercise multiple | 2.2–2.8 |
| Fair value of ordinary shares *(RMB)* | 12.84 |
| Exercise price *(RMB)* | 6.67 |
| Expected dividend yield | 0.00% |

The expected volatility was referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. The valuation was based on the assumption that no dividends will be distributed.

## 23 SHARE-BASED COMPENSATION (Continued)

### (ii) Pre-IPO Share Option Plan (Continued)

#### Fair value of share options (Continued)

The table below sets forth share-based compensation expenses recognized as staff costs in the consolidated statements of profit or loss for the years:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Pre-IPO Restricted Share Plan | 7,029 | – |
| Pre-IPO Share Option Plan | 20,618 | – |
| **Total** | 27,647 | – |

As of December 31, 2023, the Company had received a total cash consideration of RMB4,325,400 of capital contribution from the grantees of Pre-IPO Restricted Share Plan, including RMB7 of new share capital and RMB4,325,393 of capital reserve. As the Company has the obligation to repurchase the granted restricted shares under above mentioned conditions, the Company recognizes a liability in full for the repurchase obligation and treats such restricted shares as treasury shares, recorded under the items of "Accrued expenses and other current liabilities" and "Treasury Shares" in the statements of financial position, respectively.

## 24 CAPITAL, RESERVES AND DIVIDENDS

### Movements in components of equity

The changes of each component of the Group's consolidated equity during the years is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to December 31, 2023 are set out below:

| | Share capital RMB'000 | Treasury shares RMB'000 | Capital reserve RMB'000 | Exchange reserves RMB'000 | Accumulated loss RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2022 | 1 | – | – | – | – | 1 |
| Total comprehensive income for the year | – | – | – | – | (2,132) | (2,132) |
| Balance as of December 31, 2022 and January 1, 2023 | 1 | – | – | – | (2,132) | (2,131) |
| Total comprehensive income for the year | – | – | – | (228) | (28,119) | (28,347) |
| Share-based compensation | – | – | 27,647 | – | – | 27,647 |
| Shares issued under Pre-IPO Restricted Share Plan | * | (4,325) | 4,325 | – | – | – |
| Balance as December 31, 2023 | **1** | **(4,325)** | **31,972** | **(228)** | **(30,251)** | **(2,831)** |

* *less than RMB500.*

### (a) Share capital

The Company was incorporated in the Cayman Islands in June 2021 with an authorized share capital of USD50,000 divided into 50,000 shares with a par value of USD1.0 each. Upon incorporation, the Company issued 100 ordinary shares.

On February 15, 2023, the Company's issued and unissued 50,000 shares of a par value of USD1.0 each were subdivided into 75,000,000,000 shares with a par value of USD0.00000066667 each. As a result, the issued share capital of the Company became 150,000,000 shares of USD0.00000066667 par value each.

On March 7, 2023, the Company adopted the Pre-IPO Restricted Share Plan and granted a total number of 1,620,000 restricted shares with a par value of USD0.00000066667 each to one director and certain employees. As of December 31, 2023, the Company had received the capital contributions.

## 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### Movements in components of equity (Continued)

#### (b) Nature and purpose of Reserves

*(i) Capital reserve*

The capital reserve comprises the following:

– the portion of the grant date fair value of unexercised share-based compensation granted to employees of the company that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(n)(iii); and

– the capital premium arising from issuance of restricted shares (see Note 23).

*(ii) PRC statutory reserves*

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years), as determined under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP), to the statutory reserves until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserves fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the registered capital.

*(iii) Exchange reserve*

The exchange reserve arising from activities of the Company and Hong Kong Changjiu Digital Technology Limited (accounted in HK dollars) are recognized as "exchange reserve" in the shareholder's equity in the consolidated statement of financial position.

#### (c) Dividends

No dividends have been declared or paid by the Company during the year (2022: nil).

## 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### Movements in components of equity (Continued)

#### (d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 25 FINANCIAL RISK MANAGEMENT

Exposure to credit risk, liquidity risk, interest rate risk and foreign exchange risk arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

#### Trade receivables

For trade receivables, the Group has policies in place to ensure that provision of service are made to customers with an appropriate credit history. The Group performs credit evaluation on individual customer based on various factors, including but not limited to: duration of business relationship with the customer, its past history of making payment, its current ability to pay and its financial position. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts, such as holding periodic meetings to discuss the status of trade receivables and timely communicating with relevant parties, and taking actions to collect due payments through various ways. Trade receivables collection ratio is also taken into account in the performance review of relevant staffs. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

## 25 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### Trade receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of December 31, 2023 and 2022, 37% and 32% of the total trade receivables was due from the Group's five largest customers.

To measure the expected credit losses ("**ECLs**") of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the years. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

| | 2023 | | |
|---|---|---|---|
| | Average loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Up to 3 months | 0.54% | 118,290 | 643 |
| 3 to 6 months | 1.28% | 30,321 | 388 |
| 6 to 12 months | 6.46% | 8,912 | 576 |
| Over 1 year | 27.80% | 5,489 | 1,526 |
| | | 163,012 | 3,133 |

## 25 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### Trade receivables (Continued)

| | 2022 | | |
|---|---|---|---|
| | Average loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Up to 3 months | 0.47% | 82,032 | 384 |
| 3 to 6 months | 1.84% | 11,190 | 206 |
| 6 to 12 months | 9.91% | 7,862 | 779 |
| Over 1 year | 49.30% | 3,148 | 1,552 |
| | | 104,232 | 2,921 |

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Balance as of January 1 | **2,921** | 901 |
| Losses allowance recognized during the year | **1,303** | 2,213 |
| Written off | **(1,091)** | (193) |
| Balance as of December 31 | **3,133** | 2,921 |

## 25 FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirement to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each of the reporting period of the Group's financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the reporting period) and the earliest date the Group can be required to pay:

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount in the consolidated statement of financial position RMB'000 |
| Bank loans | 20,571 | – | – | – | 20,571 | 20,000 |
| Trade payables | 29,601 | – | – | – | 29,601 | 29,601 |
| Financial liability included in accrued expenses and other current liabilities | 59,796 | – | – | – | 59,796 | 59,796 |
| Lease liabilities | 7,556 | 84 | – | – | 7,640 | 7,306 |
| | 117,524 | 84 | – | – | 117,608 | 116,703 |

## 25 FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk (Continued)

| | As of December 31, 2022 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount in the consolidated statement of financial position RMB'000 |
| Bank loans | 76,751 | – | – | – | 76,751 | 75,000 |
| Trade payables | 28,507 | – | – | – | 28,507 | 28,507 |
| Financial liability included in accrued expenses and other current liabilities | 32,635 | – | – | – | 32,635 | 32,635 |
| Lease liabilities | 6,515 | 65 | – | – | 6,580 | 6,417 |
| | 144,408 | 65 | – | – | 144,473 | 142,559 |

### (c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as of December 31, 2023 and 2022 are the cash at banks, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's majority interest-bearing financial instruments at fixed interest rates as of December 31, 2023 and 2022 are bank loans and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to significant interest risk.

Overall speaking, the Group's exposure to interest rate risk is not significant.

## 25 FINANCIAL RISK MANAGEMENT (Continued)

### (d) Foreign exchange risk

As of December 31, 2022, the Group is not exposed to significant foreign exchange risk since the Group doesn't have any financial assets or liabilities denominated in currencies other than the functional currencies.

As of December 31, 2023, the Group is exposed to foreign exchange risk primarily from cash and cash equivalents denominated in Hong Kong dollars ("**HKD**") with amount of RMB2.4 million and United States dollar ("**USD**") with the amount of RMB0.57. The following table indicates the instantaneous change in the Group's profit before taxation that would arise if foreign exchange rates which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

| | 2023<br>RMB'000 |
|---|---|
| 5% appreciation of RMB | |
| (Decrease)/increase in profit before taxation for the period | (120) |
| 5% depreciation of RMB | |
| Increase/(decrease) in profit before taxation for the period | 120 |

### (e) Fair value measurement

The Group does not have any financial instruments measured at fair value as of December 31, 2023 and 2022.

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as of December 31, 2023 and 2022.

## 26 RELATED PARTY TRANSACTIONS

The following significant transactions are carried out between the Group and its related parties during the years.

### (a) Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during the years.

| Name of related parties | Relationship |
|---|---|
| Mr. Bo Shijiu and Ms. Li Guiping | Ultimate Controlling Shareholders of the Company |
| Changjiu Industrial (吉林省長久實業集團有限公司) | Entity controlled by Ultimate Controlling Shareholders |
| Jinjiu Yawei (Tianjin) Financial Leasing Co., Ltd (津久亞威(天津)融資租賃有限公司) | Entity controlled by Ultimate Controlling Shareholders |
| Derong International Finance Leasing Co., Ltd (德融國際融資租賃有限公司) | Entity controlled by Ultimate Controlling Shareholders |
| Guangxi Changjiu Vehicle Investment Co., Ltd. and its subsidiaries (廣西長久汽車投資有限公司) | Entity controlled by Ultimate Controlling Shareholders |
| Lingdong Qiheng Data Technology (Beijing) Co., Ltd (領動啟恒數據科技(北京)有限公司) | Entity controlled by Ms. Li Guiping |
| Xunruida Technology (Beijing) Co., Ltd (迅睿達科技(北京)有限公司) | Entity controlled by Ultimate Controlling Shareholders |

The official names of all entities above are in Chinese. The English names are for identification purpose only.

### (b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Salaries, allowances, and benefits in kind | **6,812** | 2,201 |
| Discretionary bonuses | **2,396** | 728 |
| Retirement scheme contributions | **416** | 195 |
| Share-based compensation expenses | **12,873** | – |
| Key management personnel remuneration | **22,497** | 3,124 |

Total remuneration are included in "staff costs" (see Note 6(b)).

## 26 RELATED PARTY TRANSACTIONS (Continued)

### (c) Related parties' transactions

The outstanding balances arising from above transactions at the end of the reporting period are as follows:

| | Note | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| Technology service received from related parties | | – | 18,647 |
| Operation service received from related parties | | **2,136** | 1,463 |
| Automobile dealership operation management service provided to related parties | | **66,217** | 42,785 |
| Pledged vehicle monitoring service provided to related parties | *i* | **26,365** | 39,033 |
| Impairment losses | | – | 1,085 |
| Lease payment | | **8,079** | 4,205 |
| Purchase intangible asset from a related party | *ii* | **5,664** | – |
| Net change of non-trade related amounts due from related parties | | **(13,917)** | (114,634) |

*Notes:*

(i) As the rights and obligations under some agreements with some counterparties of the pledged vehicle monitoring service businesses have not been transferred to the Group, then Changjiu Industrial entirely and exclusively entrusted such required service under all the above mentioned outstanding agreements with these counterparties to Changjiu Jinfu. Therefore, the related revenue was disclosed as related parties transactions.

(ii) Such purchase is settled by offsetting the amount due from the related party.

## 26 RELATED PARTY TRANSACTIONS (Continued)

### (d) Balance with related parties

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Amounts due from related parties | | **34,538** | 33,378 |
| – Trade related | *15* | **23,276** | 8,199 |
| – Non-trade related | *16* | **11,262** | 25,179 |
| Amounts due to related parties | | **1,301** | 1,301 |
| – Trade related | *20* | **1,301** | 1,301 |
| Contract Liabilities | | **1,996** | 5,732 |
| – Trade related | *4(a)(ii)* | **1,996** | 5,732 |

The non-trade related amounts due from related parties as of December 31, 2023, which are non-interest bearing and repayable on demand and was settled in March 2024.

### (e) Guarantee provided by related party

As disclosed in Note 18, the bank loan of RMB75.0 million as of December 31, 2022, was guaranteed by Ultimate Controlling Shareholders and Changjiu Industrial. The guarantee was released in April 2023.

## 27 CAPITAL COMMITMENTS

| | 2023 RMB'000 |
|---|---|
| Contracted but not provided for in the Financial Statements Commitments in respect of development/acquisition of intangible assets | **13,913** |

## 28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | December 31, 2023 RMB'000 | December 31, 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 14 | 27,647 | – |
| | | 27,647 | – |
| **Current assets** | | | |
| Prepaid expenses and other current assets | 16 | 5,385 | 525 |
| Cash and cash equivalents | 17(a) | 2,466 | – |
| | | 7,851 | 525 |
| **Current liabilities** | | | |
| Accrued expenses and other current liabilities | 20 | 38,329 | 2,656 |
| | | 38,329 | 2,656 |
| **Net current liabilities** | | (30,478) | (2,131) |
| **Total assets less current liabilities** | | (2,831) | (2,131) |
| **NET ASSETS** | | (2,831) | (2,131) |
| **Equity** | | | |
| Share capital | | 1 | 1 |
| Treasure shares | | (4,325) | – |
| Reserves | | 1,493 | (2,132) |
| **NET ASSETS** | | (2,831) | (2,131) |

Approved and authorized for issue by the board of directors on March 28, 2024.

**Bo Shijiu**
*Chief Executive Officer and Executive Director*

**Tan Zhengyang**
*Financial Controller*

Expressed in RMB

## 29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of December 31, 2023, the directors consider the immediate parent of the Company to be Advanced Limited, which is incorporated in the British Virgin Islands, and the ultimate controlling parties of the Company to be Mr. Bo Shijiu and Ms. Li Guiping.

## 30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2023

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 1, *Non-current Liabilities with Covenants* | January 1, 2024 |
| Amendments to IAS 1, *Classification Of Liabilities as Current or Non-current* | January 1, 2024 |
| Amendments IFRS 16, *Lease Liability a Sale and Leaseback* | January 1, 2024 |
| Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: disclosures "Supplier finance arrangements"* | January 1, 2024 |
| Amendments to IAS 21, *Lack of Exchangeability* | January 1, 2025 |

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 31 SUBSEQUENT EVENTS

On January 9, 2024, the shares of the Company were listed on the Main Board of the Stock Exchange, where 50,540,000 shares with a par value of USD0.00000066667 each were issued and subscribed at a price of HKD5.95 each. The proceeds, net of share issuance expenses, have been credited to the Company's share capital and capital reserve account accordingly.