The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix IA — Accountants' Report of the Group," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are a leading enterprise in China providing intelligent vision products and system solutions integrating "LED+" technologies. Our areas of expertise encompass intelligent automotive vision, high-end lighting and advanced display. Leveraging industry insights and forward-thinking technology strategies, we house a broad array of "LED+" technologies by integrating LED technologies with integrated circuits (ICs), electronic control, software, sensors, optics and others. Our green, energy-efficient and rapidly evolving "LED+" technologies further empower our intelligent vision products and systems, enabling us to penetrate high-value, high-growth markets. In terms of revenue in 2023, we ranked third among domestic device and module manufacturers in China's high-end lighting industry and fifth among all device and module manufacturers in the same industry. We ranked fifth among domestic manufacturers in China's mid- to high-end intelligent automotive vision industry and twelfth among all manufacturers in the same industry. We ranked fourth among both domestic and all manufacturers in China's LCD TV backlight display industry. As of the Latest Practicable Date, we passed all product verifications and audit procedures on our manufacturing facilities, conducted by the majority of the top-tier domestic and international companies in intelligent automotive vision, high-end lighting and advanced display businesses. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our revenue amounted to RMB1,388.4 million, RMB1,410.6 million, RMB1,858.0 million, RMB624.6 million and RMB843.2 million, respectively; our gross profit amounted to RMB228.3 million, RMB235.2 million, RMB339.0 million, RMB104.3 million and RMB154.2 million, respectively; our net profit amounted to RMB78.0 million, RMB39.1 million, RMB72.0 million, RMB7.6 million and RMB32.2 million, respectively.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. All IFRS effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss, or other comprehensive income.

The preparation of our consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 3 of the Accountants' Report of the Group in Appendix IA.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

General Factors

- overall economic growth and conditions;
- technology development in the sectors in which we operate;
- competition we face in the sectors in which we operate;
- conditions of the end markets that we serve and the resulting fluctuations in customer demand; and
- relevant laws and regulations, government policies and initiatives.

Specific Factors

Besides the general factors affecting the industry, our business and results of operations are also affected by specific factors, including the following major factors:

Expansion of Customer Base and Strengthening of Customer Relationships

Our results of operations depend significantly on customer demand. We develop and design our LED products to satisfy the needs and preferences of our customers in various sectors. We build brand recognition by consistently delivering technically advanced products with superior performance. We also have a dedicated service team for our customers which is responsible for demand analysis, solution development, order delivery and after-sales service. Customer satisfaction helps us solidify relationships with existing customers and generate word-of-mouth effect which enable us to attract new customers. Our continual effort to expand our customer base and strengthen customer relationships has yielded strong top-tier customer coverage rates, and our end-customers include all of the top five TV brands globally, 50% of the top ten LED lighting companies globally, 70% of the top ten Tier-1 suppliers of automotive lamps and 40% of the top five domestic automotive OEMs. In addition, we have successfully developed 68, 63, 105 and 45 new customers in 2021, 2022, 2023 and the five months ended May 31, 2024, respectively.

Furthermore, the end markets in which we operate, including the intelligent automotive vision market, high-end lighting market and advanced display market, are characterized by the constant evolution of consumer demand and technologies. Our ability to timely identify market trends and develop innovative products that cater to the changing demands of our downstream markets is crucial to our continued success. As we continue to develop and launch products with market competitiveness, promote our brand and expand our sales and service network, we expect to expand our customer base and achieve revenue growth.

Expansion of Product Portfolio and Changes in Business Mix

Our ability to constantly introduce new products that meet the demand and preference of our customers is an important contributor to our growth. We plan to continually introduce new products to expand our product portfolio. We expect our revenue growth to be driven in part by the continued expansion of our product portfolio. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we introduced 1,220, 1,144, 1,653, 625 and 590 new products, respectively.

Our results of operations may also be affected by changes in our business mix. During the Track Record Period, we operated in: (i) intelligent automotive vision, (ii) high-end lighting and (iii) advanced display. Our intelligent automotive vision business expanded substantially during the Track Record Period as we continued our transformation from a traditional LED manufacturer to an intelligent vision product and system provider that integrates "LED+" technologies, with the revenue from intelligent automotive vision amounting to RMB74.3 million, RMB399.7 million, RMB771.0 million, RMB225.7 million and RMB365.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, representing 5.3%, 28.3%, 41.5%, 36.1% and 43.4% of our total revenue during the same periods, respectively. At the same time, our profitability varied across different businesses, depending on the types of products we offered. During the Track Record Period, we expanded into high-tech, high-profit margin and high-growth potential products in high-end lighting and advanced display, such as horticultural lighting products and intelligent local dimming products, to capture a broader range of market opportunities, enhance the diversity of our product offerings and improve our profitability. As a result, both of our high-end lighting business and advanced display business recorded stable growth in gross profit margin during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the gross profit margin of our high-end lighting business was 19.6%, 19.2%, 23.4%, 22.6% and 24.8%, respectively. The gross profit margin of our advanced display business was 9.6%, 10.7%, 16.4%, 16.4% and 15.7% in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. The decrease in the gross profit margin of the advanced display business in the five months ended May 31, 2024 as compared to that of the same period in 2023 was primarily due to price adjustments on certain products. During the Track Record Period, our intelligent automotive vision business recorded a gross loss margin of 1.1% in 2021, and a gross profit margin of 17.5%, 14.9%, 10.2% and 15.3% in 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. The fluctuations were primarily because in 2021, our intelligent automotive vision business was in its early stage of development and in 2022 we started to benefit from the economies of scale as we commenced mass production for several intelligent automotive lamp projects. In 2023, we adopted a competitive pricing strategy to gain greater market share in response to the intense market competition. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit/(Loss) and Gross Margin." Any change in the structure of revenue contribution and profitability from our business may have a corresponding impact on our overall profitability.

Ability to Control Raw Material and Consumable Costs

Effective supply chain management is key to our financial performance. Our high degree of vertical integration significantly simplifies and streamlines our supply chain, lowering procurement costs while enhancing overall supply chain stability and quality. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our cost of sales amounted to RMB1,160.1 million, RMB1,175.4 million, RMB1,519.0 million, RMB520.3 million and RMB688.9 million, respectively.

Raw material and consumable costs contributed to the majority of our cost of sales during the Track Record Period. We purchase a variety of raw materials and consumables for our production primarily including LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our raw material and consumable costs that constitute the cost of sales represented 83.3%, 80.7%, 77.8%, 78.8% and 81.9% of our total cost of sales, respectively. The prices of our raw materials and consumables may fluctuate with market conditions. We have a dedicated team of supply chain experts that focuses on establishing and solidifying our relationship with suppliers. We have strengthened supply chain management by adopting measures such as expanding the supplier pool for main raw materials and consumables and implementing bidding processes for key raw materials and consumables. We also seek to enhance our bargaining power in raw materials and consumables purchases by leveraging our growing procurement scale and centralized procurement. In addition, leveraging our R&D capabilities, we are able to improve the utilization efficiency of raw materials and consumables and also improve our adaptability with a diverse range of raw materials and consumables.

We plan to continue to leverage our strong in-house production capabilities and optimize the production process in our manufacturing facilities through advanced, intelligent and automated manufacturing as well as energy-saving measures to reduce our unit production cost and strengthen our economies of scale. We believe our efficient supply chain management and production process enable us to quickly launch and upgrade products in response to customer demand. As we continue to increase our sales, we are committed to controlling our cost of sales to continually enhance our profitability level.

Continual Investment in R&D and Talents

Continual innovation and development of our products are crucial for us to meet our customers' needs and to maintain our market position in the LED intelligent vision industry. We developed our key technologies in-house to achieve rapid innovation through significant investment in R&D resources. Our technologies encompass fundamental technologies and product-specific technologies across our business. Meanwhile, we recruit and cultivate talented engineers and specialists to develop new technologies and strengthen our key technologies, enabling us to expand our competitive product offerings as well as upgrading existing product portfolios to achieve better performance and cost efficiency. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our research and development costs were RMB62.0 million, RMB88.7 million, RMB87.2 million, RMB36.3 million and RMB37.6 million, representing 4.5%, 6.3%, 4.7%, 5.8% and 4.5% of our total revenue and 36.6%, 36.5%, 30.2%, 33.3% and 29.6% of our total expenses (the sum of selling and marketing expenses, administrative expenses, research and development costs and other expenses) during the same periods, respectively. The decrease in research and development costs as a percentage of the total revenue was primarily attributable to the increase in our sales volume. During the same periods, we introduced 1,220, 1,144, 1,653, 625 and 590 new products, respectively. We plan to continue investing in R&D and focusing on innovation strategies to support the long-term sustainable growth of our business, which will, in turn, enhance our competitiveness.

Efficiency in Selling and Marketing and Operation Management

Our results of operations depend partly on our ability to manage costs and expenses and improve our operational efficiency. We incurred selling and marketing expenses of RMB20.8 million, RMB30.0 million, RMB45.2 million, RMB16.4 million and RMB20.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, representing 1.5%, 2.1%, 2.4%, 2.6% and 2.4% of our total revenue during the same periods, respectively. However, we managed to improve sales efficiency as our business continue to expand thanks to our lean and efficient sales team, who successfully facilitated the expansion of our customer base and strengthened our customer relationships. See "— Expansion of Customer Base and Strengthening of Customer Relationships" above. In addition, we have effectively managed our administrative expenses through budget management. During the Track Record Period, our administrative expenses remained relatively stable, which accounted for 5.7%, 7.1%, 6.4%, 6.4% and 7.1% of our revenue in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. We plan to continue offering high-quality training to our employees to enhance their technical skills. We believe that our investments in human resources will allow us to increase the revenue and enhance the overall productivity, which in turn will have a positive effect on our results of operations. As we continue to expand our business scale, we are committed to optimizing operational management and controlling operational expenses to continually improve our operational efficiency.

Industry Collaboration and Strategic Partnerships

We collaborate with various business partners in various industries to carry out our operations, and many of our business partners are our customers. Maintaining and strengthening collaborations with existing business partners and developing relationships with potential business partners are crucial to our market share, revenue and future expansion, whilst our ability to achieve these in a cost-efficient manner affects our profitability. We have established strategic partnerships with Geely Holding, Epistar Corporation, Signify, Hisense and Skyworth. Under such partnerships, we have established various in-depth collaborations in multiple areas, including the development of intelligent automotive lamps, high-end lighting devices and modules, the procurement of LED chips and the establishment of joint laboratories. See "Business — Sales and Marketing — Relationship with Geely Related Group." Notably, through our strategic partnerships with Geely Holding, we jointly established Lynway Vision in 2018 and subsequently acquired a controlling interest in 2021. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision." Our acquisition and consolidation of Lynway Vision greatly enhanced our intelligent automotive vision offerings and our vertical integration capabilities. Maintaining long-term and stable relationships with these strategic partners is important for our ongoing and future operations and expansion. We believe that we are well-positioned to further expand our operations along with our industrial value chains by leveraging our existing capabilities and resources.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates which we consider significant in the preparation of our financial statements in accordance with IFRS. These material accounting policy information are set forth in Note 2.3 to the Accountants' Report of the Group in Appendix IA to this prospectus, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 3 of the Accountants' Report of the Group in Appendix IA to this prospectus. The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of our assets or liabilities in the future.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Revenue Recognition

Revenue from Contracts with Customers

We derive our revenue from the sales of our intelligent automotive vision products, high-end lighting products and advanced display products.

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 our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated as that which our Group will be entitled to in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty regarding the variable consideration is subsequently resolved.

Sales of Intelligent Vision Products and Systems

Revenue from the sale of intelligent vision products and systems is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products and systems.

Rendering of services

Revenue from the services is primarily generated through the development of several intelligent automotive projects, and is recognized at a point in time as the control of services is delivered to the customer.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognized on a time proportion basis over the lease terms.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75% to 4.85%
Machinery and others	9.50% to 32.33%
Leasehold improvements	Over the shorter of the lease terms and 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each period of the Track Record Period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The amount of write-down of inventories to net realisable value and all losses of inventories are recognised as other expenses in the period the write-down or loss occurs.

Provision for Expected Credit Losses on Trade and Bills Receivables and Contract Assets

Our Group uses a provision matrix to calculate expected credit losses ("**ECLs**") for trade and bills receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year and which could lead to an increased number of defaults, the historical default rates are adjusted. At the each period of the Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. Our Group's historical credit loss experience and forecasted economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our Group's trade and bills receivables is disclosed in Note 19 to the Accountants' Report of the Group in Appendix IA to this prospectus.

Share-Based Payments

Our Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each period of the Track Record Period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as of the beginning and end of each period of the Track Record Period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units, or groups of cash-generating units ("**CGU**"), that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units.

Impairment Testing of Goodwill

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Goodwill acquired through business combinations is allocated to the following CGU for impairment testing due to the acquisition of Lynway Vision:

Lynway Vision manufacturing and sales CGU

The recoverable amount of the Lynway Vision manufacturing and sales CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management.

Assumptions were used in the value in use calculation of the Lynway Vision manufacturing and sales CGU for the end of each of the Relevant Periods. The following are the key assumptions on which management has based to undertake impairment testing of goodwill:

	As of 31 December			As of 31 May
	2021	2022	2023	2024
Compound growth rate of revenue over the forecast period	71.0%	34.4%	12.8%	8.6%
Pre-tax discount rate	14.1%	15.2%	14.6%	14.1%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%

Compound growth rate of revenue — The basis is determined with reference to the average revenue achieved in the years before the budgeted year, increased for management's expectation of the future market.

Pre-tax discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Terminal growth rate — The basis is determined with reference to the long-term Customer Price Index of China and the nature of the business.

The values assigned to the key assumptions on compound growth rate of revenue, discount rate and terminal growth rate are consistent with external information sources.

The fluctuation of the compound growth rate of revenue during the Relevant Periods is mainly attributed to the fact that Lynway Vision was in its initial stage in 2021 and before. With the production of intelligent automotive vision production line and the increase of mass production orders, Lynway Vision had achieved significant growth during the Relevant Periods. The Company has taken a cautious estimate that the growth rate of revenue is expected to slow down compared to the initial stage in 2021 and before.

Impairment review on the goodwill of the Group has been conducted by management as of December 31, 2021, 2022, 2023 and May 31, 2024 according to IAS 36 "Impairment of assets". The headroom measured by the excess of the recoverable amount over the carrying amount of Lynway Vision manufacturing and sales CGU was RMB80,116,000, RMB124,642,000, RMB117,663,000 and RMB109,166,000 as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to Lynway Vision manufacturing and sales CGU was recognised as of December 31, 2021, 2022, 2023 and May 31, 2024.

The Group performed the sensitivity analysis based on the assumption that the pre-tax discount rate and the compound growth rate of revenue has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would have decreased to the following:

	As of 31 December			As of 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Compound growth rate of revenue decreases by 3%	22,138	53,238	27,241	32,027
Pre-tax discount rate increases by 1%	35,221	83,557	77,693	72,004

Considering that there was sufficient headroom based on the assessment, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Revenue	1,388,380	1,410,632	1,858,032	624,617	843,193
Cost of sales	(1,160,102)	(1,175,447)	(1,519,021)	(520,307)	(688,947)
Gross profit	**228,278**	**235,185**	**339,011**	**104,310**	**154,246**
Other income and gains	58,425	25,063	26,267	10,303	8,755
Selling and marketing expenses	(20,842)	(30,018)	(45,188)	(16,378)	(20,427)
Administrative expenses	(78,510)	(100,341)	(119,431)	(39,869)	(60,288)
Research and development costs	(62,020)	(88,749)	(87,225)	(36,347)	(37,632)
Other expenses	(8,213)	(23,992)	(36,835)	(16,553)	(8,680)
Finance costs	(2,817)	(6,445)	(4,838)	(2,188)	(1,272)
Share of loss of an associate	(23,279)	—	—	—	—
Profit before tax	**91,022**	**10,703**	**71,761**	**3,278**	**34,702**
Income tax (expense)/credit	(13,022)	28,368	282	4,285	(2,529)
Profit for the year/period	**78,000**	**39,071**	**72,043**	**7,563**	**32,173**
Attributable to:					
Owners of the parent	85,896	40,791	66,378	14,146	32,173
Non-controlling interests	(7,896)	(1,720)	5,665	(6,583)	—
	78,000	**39,071**	**72,043**	**7,563**	**32,173**

Non-IFRS Financial Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure)/adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA (non-IFRS measure)/adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

EBITDA (Non-IFRS Measure) and Adjusted EBITDA (Non-IFRS Measure)

We define EBITDA (non-IFRS measure) as profit for the period adjusted for depreciation and amortization, finance costs and income tax expense. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) adjusted by adding back share-based payment expenses and listing expenses. Share-based payment expenses are non-cash in nature. Listing expenses are expenses relating to the Global Offering. The following table sets out a reconciliation of profit for the period to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Reconciliation of profit for the year/period to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)					
Profit for the year/period	**78,000**	**39,071**	**72,043**	**7,563**	**32,173**
Add:					
Depreciation of property, plant and equipment	61,173	97,469	118,489	49,417	50,794
Depreciation of right-of-use assets	1,468	2,478	2,649	1,104	1,104
Amortization of intangible assets	7,499	10,087	9,988	4,323	4,133
Finance costs	2,817	6,445	4,838	2,188	1,272
Income tax expenses/(credit)	13,022	(28,368)	(282)	(4,285)	2,529
EBITDA (non-IFRS measure)	**163,979**	**127,182**	**207,725**	**60,310**	**92,005**
Add:					
Share-based payment expenses	1,669	1,698	3,187	724	3,101
Listing expense	—	—	6,590	—	11,569
Adjusted EBITDA (non-IFRS measure)	**165,648**	**128,880**	**217,502**	**61,034**	**106,675**

Adjusted Net Profit (Non-IFRS measure)

We define adjusted net profit (non-IFRS measure) as profit for the period adjusted by adding back share-based payment expenses and listing expense. Share-based payment expenses are non-cash in nature. Listing expenses are expenses relating to the Global Offering. The following table reconciles our adjusted net profit (non-IFRS measure) for the periods presented in accordance with IFRS, which is profit for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in thousands)		
				(unaudited)	
Reconciliation of profit for the year/period to adjusted net profit (non-IFRS measure)					
Profit for the year/period	**78,000**	**39,071**	**72,043**	**7,563**	**32,173**
Add:					
Share-based payment expenses	1,669	1,698	3,187	724	3,101
Listing expense	—	—	6,590	—	11,569
Adjusted net profit (non-IFRS measure)	**79,669**	**40,769**	**81,820**	**8,287**	**46,843**

Revenue

Revenue by Product Category

During the Track Record Period, we generated revenue from (i) intelligent automotive vision products, (ii) high-end lighting products and (iii) advanced display products.

The following table sets forth a breakdown of our revenue by product category in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Intelligent automotive vision	**74,251**	**5.3**	**399,674**	**28.3**	**770,973**	**41.5**	**225,676**	**36.1**	**365,445**	**43.4**
Intelligent automotive lamps	50,732	3.7	351,792	24.9	707,945	38.1	211,550	33.9	331,355	39.3
Automotive-grade LED devices and modules	23,519	1.6	47,882	3.4	63,028	3.4	14,126	2.2	34,090	4.1
High-end lighting	**1,033,857**	**74.5**	**670,242**	**47.5**	**650,821**	**35.0**	**253,630**	**40.6**	**254,103**	**30.1**
High-end lighting devices	849,273	61.2	494,608	35.1	469,971	25.3	175,302	28.1	177,117	21.0
High-end lighting modules	184,584	13.3	175,634	12.4	180,850	9.7	78,328	12.5	76,986	9.1
Advanced display	**280,272**	**20.2**	**340,716**	**24.2**	**436,238**	**23.5**	**145,311**	**23.3**	**223,645**	**26.5**
Total	**1,388,380**	**100.0**	**1,410,632**	**100.0**	**1,858,032**	**100.0**	**624,617**	**100.0**	**843,193**	**100.0**

During the Track Record Period, revenue from intelligent automotive vision increased significantly from RMB74.3 million in 2021 by 438.0% to RMB399.7 million in 2022 and further increased by 92.9% to RMB771.0 million in 2023, revenue from intelligent automotive vision increased from RMB225.7 million in the five months ended May 31, 2023 by 61.9% to RMB365.4 million in the five months ended May 31, 2024. Such increases were primarily due to the increase in the intelligent automotive lamp projects commencing mass production and product delivery. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we had four, seven, 16, ten and 17 intelligent automotive lamp projects under production, respectively. During the Track Record Period, our headlamps and rear lamps were sold in Mainland China. With the market's increased demand for intelligent, integrated and customized automotive lamps, the sales volume of our headlamps increased from 9,848 sets in 2021 to 151,603 sets in 2022 and to 302,766 sets in 2023, and the sales volume of our rear lamps increased from 31,874 sets in 2021 to 91,478 sets in 2022 and to 152,283 sets in 2023. The sales volume of our headlamps increased from 104,612 sets in the five months ended May 31, 2023 to 124,187 sets in the five months ended May 31, 2024, and the sales volume of our rear lamps increased from 42,590 sets in the five months ended May 31, 2023 to 98,441 sets in the five months ended May 31, 2024. In the meantime, the average selling price of our headlamps showed steady growth during the Track Record Period, amounting to RMB1,606.6, RMB1,649.2, RMB1,768.1, RMB1,613.8 and RMB1,629.8 per set, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024. The average selling price of our rear lamps also gradually increased during the Track Record Period, amounting to RMB1,095.3, RMB1,112.5, RMB1,133.6, RMB1,003.3 and RMB1,310.0 per set, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024.

In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, revenue from high-end lighting was RMB1,033.9 million, RMB670.2 million, RMB650.8 million, RMB253.6 million and RMB254.1 million, respectively. The sales volume of our high-end lighting devices decreased from 7,961.8 million pieces in 2021 to 3,567.3 million pieces in 2022 and to 3,239.5 million pieces in 2023, and decreased from 1,399.5 million pieces in the five months ended May 31, 2023 to 1,320.5 million pieces in the five months ended May 31, 2024. The decrease was primarily due to (i) one of our major customers and its contract manufacturers previously stocked up on LED devices and thus prioritized depleting existing inventory in 2022, and (ii) the intensification of competition in the high-end lighting market. In 2021, we shifted our focus towards high-end products with enhanced performance and higher gross profit margins. As a result, the average selling price of our high-end lighting devices increased from RMB0.11 per piece in 2021 to RMB0.14 per piece in 2022, and further to RMB0.15 per piece in 2023. The average selling price remained relatively stable at RMB0.13 per piece in the five months ended May 31, 2023 and 2024. The average selling price of our high-end lighting modules was RMB11.82, RMB13.09, RMB14.53, RMB16.46 and RMB12.51 per bar, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024. The fluctuations during the Track Record Period were primarily due to the customized nature of module products and adjustments of product portfolio corresponding to customer demand.

During the Track Record Period, revenue from advanced display increased from RMB280.3 million in 2021 by 21.6% to RMB340.7 million in 2022 and further increased by 28.0% to RMB436.2 million in 2023, revenue from advanced display increased from RMB145.3 million in the five months ended May 31, 2023 by 53.9% to RMB223.6 million in the five months ended May 31, 2024. Such increases were primarily due to (i) the growing trend of large screen televisions that require more LED devices and modules on each unit, and (ii) the increase in the sales of high-tech and high-profit margin products, such as LED products integrating ICs with local dimming function and Mini LED products. In particular, the sales volume of our advanced display modules increased from 32.3 million bars in 2021 to 42.7 million bars in 2022 and to 55.0 million bars in 2023. The sales volume of our advanced display modules increased from 18.7 million bars in the five months ended May 31, 2023 to 23.1 million bars in the five months ended May 31, 2024. The average selling price of our advanced display modules increased from RMB6.69 per bar in 2021 to RMB7.12 per bar in 2022 and remained relatively stable at RMB7.10 per bar in 2023 which is in line with the sales trend of our products applied in large-size TVs. The average selling price of our advanced display modules increased from RMB6.76 per bar in the five months ended May 31, 2023 to RMB8.25 per bar in the five months ended May 31, 2024.

Revenue by Geographic Region

During the Track Record Period, we had revenue from both domestic and overseas markets, including Asia, Europe and North America. The following table sets forth a breakdown of our revenue by geographic region in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Mainland China	1,058,750	76.3	1,136,009	80.5	1,576,756	84.9	515,804	82.6	707,518	83.9
Overseas	329,630	23.7	274,623	19.5	281,276	15.1	108,813	17.4	135,675	16.1
Total	**1,388,380**	**100.0**	**1,410,632**	**100.0**	**1,858,032**	**100.0**	**624,617**	**100.0**	**843,193**	**100.0**

During the Track Record Period, high-end lighting business contributed to the majority of our overseas revenue. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, overseas revenue from high-end lighting amounted to RMB289.7 million, RMB225.0 million, RMB234.0 million, RMB91.5 million and RMB105.2 million, respectively. Overseas revenue from intelligent automotive vision increased from RMB0.2 million in 2021 to RMB0.8 million in 2022 and further to RMB5.9 million in 2023. Overseas revenue from intelligent automotive vision was RMB2.5 million and RMB3.9 thousand in the five months ended May 31, 2023 and 2024, respectively. Overseas revenue from advanced display amounted to RMB39.7 million, RMB48.9 million, RMB41.3 million, RMB14.8 million and RMB30.5 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively.

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of raw material and consumable costs, staff costs and depreciation and amortization expenses. The following table sets forth a breakdown of our cost of sales by nature and as percentages of our total cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Raw material and consumable costs	966,237	83.3	948,030	80.7	1,182,406	77.8	409,776	78.8	563,920	81.9
Staff costs	58,337	5.0	54,147	4.6	75,968	5.0	25,107	4.8	32,442	4.7
Depreciation and amortization expenses	32,789	2.8	51,801	4.4	115,501	7.6	31,616	6.1	26,922	3.9
Others[(1)]	102,739	8.9	121,469	10.3	145,146	9.6	53,808	10.3	65,663	9.5
Total	**1,160,102**	**100.0**	**1,175,447**	**100.0**	**1,519,021**	**100.0**	**520,307**	**100.0**	**688,947**	**100.0**

Note:

(1) Others primarily includes processing fees and utilities.

Raw material and consumable costs, which mainly represent the expenses paid for the procurement of our raw materials and consumables, including LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components, represented the majority of our cost of sales during the Track Record Period. Staff costs mainly represent wages, salaries, social insurance, housing provident fund and share-based payment expenses. Depreciation and amortization expenses mainly represent the depreciation of plants and equipment, as well as the amortization of long-term deferred expenses for renovations and expansions.

Cost of Sales by Product Category

The following table sets forth a breakdown of our cost of sales by product category in absolute amounts and as percentages of our total cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Intelligent automotive vision	**75,097**	**6.5**	**329,612**	**28.0**	**655,733**	**43.2**	**202,600**	**38.9**	**309,362**	**44.9**
Intelligent automotive lamps	51,942	4.5	291,765	24.8	610,499	40.2	192,430	36.9	288,140	41.8
Automotive-grade LED devices and modules	23,155	2.0	37,847	3.2	45,234	3.0	10,170	2.0	21,222	3.1
High-end lighting	**831,508**	**71.7**	**541,474**	**46.1**	**498,392**	**32.8**	**196,189**	**37.7**	**191,130**	**27.7**
High-end lighting devices	670,520	57.8	391,542	33.3	359,053	23.6	136,563	26.2	131,959	19.1
High-end lighting modules	160,988	13.9	149,932	12.8	139,339	9.2	59,626	11.5	59,171	8.6
Advanced display	**253,497**	**21.9**	**304,361**	**25.9**	**364,896**	**24.0**	**121,518**	**23.4**	**188,455**	**27.4**
Total	**1,160,102**	**100.0**	**1,175,447**	**100.0**	**1,519,021**	**100.0**	**520,307**	**100.0**	**688,947**	**100.0**

Gross Profit/(Loss) and Gross Margin

Gross Profit/(Loss) and Gross Margin by Product Category

The following table sets forth our gross profit/(loss) and gross margin, by product category for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Gross profit/(loss)	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB in thousands, except for percentages)									
							(unaudited)			
Intelligent automotive vision	**(846)**	**(1.1)**	**70,061**	**17.5**	**115,240**	**14.9**	**23,077**	**10.2**	**56,084**	**15.3**
Intelligent automotive lamps	(1,210)	(2.4)	60,026	17.1	97,446	13.8	19,121	9.0	43,216	13.0
Automotive-grade LED devices and modules	364	1.5	10,035	21.0	17,794	28.2	3,956	28.0	12,868	37.7
High-end lighting	**202,348**	**19.6**	**128,768**	**19.2**	**152,429**	**23.4**	**57,440**	**22.6**	**62,973**	**24.8**
High-end lighting devices	178,753	21.0	103,066	20.8	110,918	23.6	38,738	22.1	45,158	25.5
High-end lighting modules	23,595	12.8	25,702	14.6	41,511	23.0	18,702	23.9	17,815	23.1
Advanced display	**26,776**	**9.6**	**36,356**	**10.7**	**71,342**	**16.4**	**23,793**	**16.4**	**35,189**	**15.7**
Total	**228,278**	**16.4**	**235,185**	**16.7**	**339,011**	**18.2**	**104,310**	**16.7**	**154,246**	**18.3**

Gross Profit and Gross Margin by Geographic Region

The following table sets forth our gross profit and gross margin by geographic region for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB in thousands, except for percentages)									
							(unaudited)			
Mainland China	173,885	16.4	197,392	17.4	293,017	18.6	89,639	17.4	127,148	18.0
Overseas	54,393	16.5	37,793	13.8	45,994	16.4	14,671	13.5	27,098	20.0
Total	**228,278**	**16.4**	**235,185**	**16.7**	**339,011**	**18.2**	**104,310**	**16.7**	**154,246**	**18.3**

Other Income and Gains

Our other income and gains primarily consist of (i) government grants, including general policy-related rewards from local governments and subsidies stipulated in investment contracts with local governments, both were non-recurring in nature; and (ii) gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition (i.e. Lynway Vision). See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision."

Specifically, general policy-related rewards from local governments primarily represent rewards received in accordance with local government policies, such as rewards on R&D investments, employment and recognition of high-tech enterprise. In terms of subsidies stipulated in investment contracts with local governments, the investment contracts set out our investment commitments, which include investment scale, production value and expected tax contribution, as well as subsidies payable by the local governments pursuant to the progress of the investment projects. We apply for such rewards and subsidies upon satisfaction of the conditions specified in the terms of the investment contracts. Subsequent investment commitments not yet completed, which are subject to the conditions specified in the investment contracts, do not affect the government grants received.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Other income					
Interest income	2,800	3,241	3,276	1,289	1,627
Government grants	29,881	12,650	11,204	6,220	1,426
Rental income	391	1,445	1,257	813	276
Others	685	329	5,106	147	3,028
Total other income	**33,757**	**17,665**	**20,843**	**8,469**	**6,357**
Gains					
Gain on foreign exchange differences	648	5,349	205	204	663
Gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition	22,139	—	—	—	—
Investment income from financial assets at FVTPL	1,092	2,191	4,040	1,134	1,355
Fair value gain/(loss) on financial assets at FVTPL	441	(142)	1,179	496	380
Others	348	—	—	—	—
Total gains	**24,668**	**7,398**	**5,424**	**1,834**	**2,398**
Total	**58,425**	**25,063**	**26,267**	**10,303**	**8,755**

Each of the other income and gains items arises from the ordinary and usual course of our business. Interest income represents the interest income from bank deposits. Rental income refers to the income generated from leasing portions of the office and dormitories, inclusive of management fees. Others primarily consist of the VAT input tax surplus deduction allowed under the applicable VAT regulations in China and penalty income arising from ordinary course of business. Gain on foreign exchange differences refers to the exchange difference caused by fluctuation in exchange rates between the HK dollars and the US dollars relative to the Renminbi. Investment income from financial assets at FVTPL represents the investment income generated by the sale of structured deposits. Fair value gain/(loss) on financial assets at FVTPL refers to the increase or decrease in the fair value of structured deposits held by the end of the period.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs and market development expenses. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	10,375	49.7	11,844	39.4	15,110	33.4	5,841	35.7	6,790	33.2
Market development expenses	7,210	34.6	9,032	30.1	11,295	25.0	3,969	24.2	5,587	27.4
Storage fees	596	2.9	4,114	13.7	8,032	17.8	2,732	16.7	3,717	18.2
After-sales service fees	914	4.4	3,208	10.7	7,867	17.4	2,806	17.1	3,184	15.6
Others[(1)]	1,747	8.4	1,820	6.1	2,884	6.4	1,030	6.3	1,149	5.6
Total	**20,842**	**100.0**	**30,018**	**100.0**	**45,188**	**100.0**	**16,378**	**100.0**	**20,427**	**100.0**

Note:

(1) Others primarily include traveling expenses, business event expenses, office expenses and depreciation and amortization expenses.

Staff costs under selling and marketing expenses mainly relate to wages, salaries, social insurance, housing provident fund and share-based payment expenses paid to marketing staff. Market development expenses mainly represent service fees, exhibition costs and various other advertising expenditures incurred in relation to our marketing efforts. Storage fees mainly represent costs of inventory storage. After-sales service fees mainly represent warranty related expenses incurred in intelligent automotive vision business.

Administrative Expenses

Our administrative expenses primarily consist of staff costs and depreciation and amortization expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	41,000	52.2	49,191	49.0	59,642	49.9	20,643	51.7	26,521	44.0
Depreciation and amortization expenses	16,695	21.3	24,653	24.6	24,877	20.8	10,271	25.8	10,511	17.4
Office fees	9,240	11.8	10,316	10.3	10,025	8.4	3,012	7.6	4,459	7.4
Tax and surcharges	6,678	8.5	7,847	7.8	8,465	7.1	3,070	7.7	3,076	5.1
Listing expense	—	—	—	—	6,590	5.5	—	—	11,569	19.2
External service fees[1]	3,181	4.1	6,251	6.2	6,530	5.5	2,022	5.1	2,219	3.7
Business event expenses	734	0.9	1,119	1.1	1,382	1.2	473	1.2	761	1.3
Others[2]	982	1.2	964	1.0	1,920	1.6	378	0.9	1,172	1.9
Total	**78,510**	**100.0**	**100,341**	**100.0**	**119,431**	**100.0**	**39,869**	**100.0**	**60,288**	**100.0**

Notes:

(1) External service fees primarily comprise fees for engaging third-party services such as legal and audit services, as well as charges for local licensing, sewage, landscaping, security and fees related to secondary development of software.

(2) Others primarily include employment security funds for the disabled and operating lease charges.

Staff costs under administrative expenses mainly represent wages, salaries, social insurance, housing provident fund and share-based payment expenses paid to administrative staff. Depreciation and amortization expenses mainly represent the depreciation of office buildings as well as the amortization of intangible assets, such as land use rights and patents. Office fees include office expenses, utilities, maintenance fees and traveling expenses. Tax and surcharges mainly represent the city maintenance and construction taxes, education fee surcharges, property taxes, stamp duties and land use right taxes.

Research and Development Costs

Our research and development costs primarily consist of staff costs and the costs of raw materials and consumables used for research and development. The following table sets forth a breakdown of our research and development costs for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	29,668	47.8	51,200	57.7	49,984	57.3	21,025	57.8	24,352	64.7
Raw materials and consumables used for research and development	21,712	35.0	14,886	16.8	17,952	20.6	7,155	19.7	4,758	12.6
Depreciation and amortization expenses	4,317	7.0	7,583	8.5	7,718	8.8	3,139	8.6	3,774	10.0
Testing fees	3,615	5.8	8,905	10.0	5,804	6.7	2,854	7.9	2,997	8.0
Others[(1)]	2,708	4.4	6,175	7.0	5,767	6.6	2,174	6.0	1,751	4.7
Total	**62,020**	**100.0**	**88,749**	**100.0**	**87,225**	**100.0**	**36,347**	**100.0**	**37,632**	**100.0**

Note:

(1) Others primarily include leasing fees and utilities, outsourced research and development expenses, traveling expenses and patent agency fees.

Staff costs under research and development costs mainly represent wages, salaries, social insurance, housing provident fund and share-based payment expenses and various other employee benefits paid to R&D staff. Raw materials and consumables used for research and development mainly represent LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components. Depreciation and amortization expenses mainly represent the depreciation and amortization of our equipment and machinery for R&D purposes. Testing fees are incurred in connection with product testings.

Other Expenses

Our other expenses were RMB8.2 million, RMB24.0 million, RMB36.8 million, RMB16.6 million and RMB8.7 million, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024. Our other expenses primarily represent net provision for impairment of inventories, net impairment losses on financial and contract assets and non-operating expenses, including losses from the damage or disposal of non-current assets and expenditures related to donations.

Finance Costs

Our finance costs primarily consist of interest on bank and other borrowings. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Interest on bank and other borrowings	4,996	6,418	4,778	2,161	1,252
Interest on lease liabilities	—	27	60	27	20
Less: Interest capitalized	(2,179)	—	—	—	—
Total	**2,817**	**6,445**	**4,838**	**2,188**	**1,272**

Share of Loss of An Associate

Our share of loss of an associate represents to our share of loss of Lynway Vision. We recorded share of loss of RMB23.3 million in 2021. We did not record share of loss of an associate in 2022, 2023 and the five months ended May 31, 2024 because we acquired the controlling interest in Lynway Vision in September 2021 and have consolidated its results since then. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision."

Income Tax (Expense)/Credit

We recorded income tax expense of RMB13.0 million and income tax credit of RMB28.4 million in 2021 and 2022, respectively. In 2022, we recognized deferred tax assets for tax loss(es) and temporary differences which incurred in previous years in the amount of RMB21.3 million, primarily attributable to our subsidiaries' commencement of mass production and improved profitability. We recorded income tax credit of RMB0.3 million in 2023. We recorded income tax credit of RMB4.3 million and income tax expense of RMB2.5 million in the five months ended May 31, 2023 and 2024, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities. The following set forth our principal applicable taxes and tax rates:

PRC

Our income tax provision in respect of our operations in the PRC was subject to a statutory tax rate of 25% on our assessable profits during the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. Enterprises that qualify as "High and New Technology Enterprises" are entitled to a preferential rate of 15% for three years. Our Company and Lynway Vision were qualified as High and New Technology Enterprises under the relevant PRC laws and regulations in December 2021 and December 2022, respectively, and such qualification may be renewed every three years.

Hong Kong

APT (HK) was subject to a statutory tax rate of 16.5% on its assessable profits during the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. However, no provision for Hong Kong profits tax has been made as APT (HK) did not have assessable profit which arose in, or derived from, Hong Kong during the Track Record Period.

RESULTS OF OPERATIONS

Comparisons between Five Months Ended May 31, 2024 and 2023

Revenue

Revenue by Product Category

Our revenue increased by 35.0% from RMB624.6 million in the five months ended May 31, 2023 to RMB843.2 million in the five months ended May 31, 2024, primarily due to the increases in revenue from intelligent automotive vision and advanced display.

Our revenue from intelligent automotive vision increased by 61.9% from RMB225.7 million in the five months ended May 31, 2023 to RMB365.4 million in the five months ended May 31, 2024, primarily due to the increase in the number of intelligent automotive lamp projects commencing mass production and product delivery. The number of projects under production increased from ten in the five months ended May 31, 2023 to 17 in the five months ended May 31, 2024. In addition, we continued to enhance our products and had an increase in the revenue from automotive-grade LED devices and modules, primarily attributable to (i) increased sales of LED devices as we enhanced sales efforts and expanded our customer base, and (ii) increased sales of COB sub-mount automotive modules for headlamps to meet the growing demand of our existing customers.

Our revenue from high-end lighting remained relatively stable at RMB253.6 million in the five months ended May 31, 2023 and RMB254.1 million in the five months ended May 31, 2024.

Our revenue from advanced display increased by 53.9% from RMB145.3 million in the five months ended May 31, 2023 to RMB223.6 million in the five months ended May 31, 2024, primarily due to (i) the increase in the sales of our LED products integrating ICs with local dimming function, for which we launched new product lines in the second half of 2023 and achieved strong business growth, and (ii) the increase in the sales of advanced display products applied in LCD TVs over 75 inches, driven by the overall market trend in 2024, with the LCD TV over 75 inches seeing a significant period-on-period increase of approximately 34.5% during the five months ended May 31, 2024. Specifically, the sales volume of our LED products integrating ICs with local dimming function increased from 1.1 million bars in the five months ended May 31, 2023 to 2.6 million bars in the five months ended May 31, 2024. The sales volume of advanced display products applied in LCD TVs over 75 inches increased from 7.6 million bars in the five months ended May 31, 2023 to 12.4 million bars in the five months ended May 31, 2024.

Revenue by Geographic Region

Our revenue from the sales in Mainland China increased by 37.2% from RMB515.8 million in the five months ended May 31, 2023 to RMB707.5 million in the five months ended May 31, 2024, primarily due to the increases in revenue from intelligent automotive vision and advanced display, which were mainly sold domestically.

Our revenue from the sales overseas increased by 24.7% from RMB108.8 million in the five months ended May 31, 2023 to RMB135.7 million in the five months ended May 31, 2024, primarily due to (i) the increased sales of horticultural lighting products in our high-end lighting business, while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period, and (ii) the increased sales of our advanced display products.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 32.4% from RMB520.3 million in the five months ended May 31, 2023 to RMB688.9 million in the five months ended May 31, 2024, primarily because our raw materials and consumables increased by 37.6% from RMB409.8 million in the five months ended May 31, 2023 to RMB563.9 million in five months ended May 31, 2024 due to the increased procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses.

Cost of Sales by Product Category

Our cost of sales increased by 32.4% from RMB520.3 million in the five months ended May 31, 2023 to RMB688.9 million in the five months ended May 31, 2024, primarily due to the increase in the cost of sales of intelligent automotive vision and advanced display. Our cost of sales of intelligent automotive vision increased by 52.7% from RMB202.6 million in the five months ended May 31, 2023 to RMB309.4 million in the five months ended May 31, 2024. Our cost of sales of high-end lighting slightly decreased from RMB196.2 million in the five months ended May 31, 2023 by 2.6% to RMB191.1 million in the five months ended May 31, 2024. Our cost of sales of advanced display increased by 55.1% from RMB121.5 million in the five months ended May 31, 2023 to RMB188.5 million in the five months ended May 31, 2024. Such changes were primarily in line with the changes in revenue of the respective businesses and affected by measures taken to maintain the competitive advantage of our products, including product design optimization, process improvement and enhanced supply chain management.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased from RMB104.3 million in the five months ended May 31, 2023 to RMB154.2 million in the five months ended May 31, 2024. Our gross profit margin increased from 16.7% in the five months ended May 31, 2023 to 18.3% in the five months ended May 31, 2024.

Gross Profit/(Loss) and Gross Margin by Product Category

Our gross profit margin for intelligent automotive vision increased from 10.2% in the five months ended May 31, 2023 to 15.3% in the five months ended May 31, 2024. Specifically:

- our gross profit margin for intelligent automotive lamps increased from 9.0% in the five months ended May 31, 2023 to 13.0% in the five months ended May 31, 2024, primarily because we improved operational efficiency and decreased depreciation and amortization expenses with increased production volume of intelligent automotive lamps.

- our gross profit margin for automotive-grade LED devices and modules increased from 28.0% in the five months ended May 31, 2023 to 37.7% in the five months ended May 31, 2024, primarily due to the increase in the revenue contribution from products with higher profit margin such as our high-power automotive-grade LED devices used in intelligent automotive lamps and COB sub-mount automotive modules for headlamps.

Our gross profit margin for high-end lighting increased from 22.6% in the five months ended May 31, 2023 to 24.8% in the five months ended May 31, 2024 primarily because of the increase in the sales of our high-tech and high-profit margin products including horticultural lighting products and outdoor lighting products.

Our gross profit margin for advanced display decreased from 16.4% in the five months ended May 31, 2023 to 15.7% in the five months ended May 31, 2024, primarily due to price adjustments on certain products.

Gross Profit/(Loss) and Gross Margin by Geographic Region

Our gross profit margin for the sales in Mainland China increased from 17.4% in the five months ended May 31, 2023 to 18.0% in the five months ended May 31, 2024, primarily due to the increase in the gross profit margin for the intelligent automotive vision and high-end lighting businesses.

Our gross profit margin for the sales overseas increased from 13.5% in the five months ended May 31, 2023 to 20.0% in the five months ended May 31, 2024, primarily due to the increase in the proportion of revenue contribution from horticultural lighting and outdoor lighting products with higher profit margin in our high-end lighting business.

Other Income and Gains

Our other income and gains decreased by 14.6% from RMB10.3 million in the five months ended May 31, 2023 to RMB8.8 million in the five months ended May 31, 2024, primarily due to the non-recurrence of government grants received in the five months ended May 31, 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 24.7% from RMB16.4 million in the five months ended May 31, 2023 to RMB20.4 million in the five months ended May 31, 2024, primarily due to the increases in our staff costs, market development expenses and after-sales service fees, which were in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 51.1% from RMB39.9 million in the five months ended May 31, 2023 to RMB60.3 million in the five months ended May 31, 2024, primarily due to (i) an increase in the listing expenses and (ii) an increase in the staff salaries and bonus in line with our business growth.

Research and Development Costs

Our research and development costs increased by 3.6% from RMB36.3 million in the five months ended May 31, 2023 to RMB37.6 million in the five months ended May 31, 2024, primarily due to the expansion of our R&D team for the research and development of intelligent automotive lamp projects.

Other Expenses

Our other expenses decreased by 47.6% from RMB16.6 million in the five months ended May 31, 2023 to RMB8.7 million in the five months ended May 31, 2024, primarily due to the decrease in the net provision for impairment of inventory.

Finance Costs

Our finance costs decreased by 40.9% from RMB2.2 million in the five months ended May 31, 2023 to RMB1.3 million in the five months ended May 31, 2024, primarily because (i) the loan principal was partially repaid in the second half of 2023 and (ii) loan interest rates decreased since December 2023.

Income Tax (Expense)/Credit

We recorded income tax credit of RMB4.3 million and income tax expense of RMB2.5 million in the five months ended May 31, 2023 and 2024, respectively, primarily because we maintained a positive taxable income after offsetting prior losses in the five months ended May 31, 2024.

Profit/Loss for the Period

As a result of the foregoing, our profit for the period increased from RMB7.6 million in the five months ended May 31, 2023 to RMB32.2 million in the five months ended May 31, 2024.

Comparisons between 2023 and 2022

Revenue

Revenue by Product Category

Our revenue increased by 31.7% from RMB1,410.6 million in 2022 to RMB1,858.0 million in 2023, primarily due to the increases in revenue from intelligent automotive vision and advanced display.

Our revenue from intelligent automotive vision increased by 92.9% from RMB399.7 million in 2022 to RMB771.0 million in 2023, primarily due to the increase in the number of intelligent automotive lamp projects commencing mass production and product delivery. Specifically, the number of projects under production increased from seven in 2022 to 16 in 2023. Among projects that commenced mass production in 2023, the corresponding vehicle models including Lynk & Co 06 EM-P, ZEEKR 001 and ZEEKR 007 gained strong market recognition. According to CIC, the sales volume of these three vehicle models ranked as leaders in their respective categories in 2023. In addition, revenue from our automotive-grade LED devices and modules increased as we endeavored to expand our product portfolio. The type of automotive-grade LED devices and modules we sold increased from 360 in 2022 to 552 in 2023.

Our revenue from high-end lighting slightly decreased from RMB670.2 million in 2022 to RMB650.8 million in 2023, primarily due to decreased orders as a result of intense market competition in 2023, which was partially offset by our strategic expansion in higher-profit margin lighting devices and modules, such as outdoor lighting and horticultural lighting products, where we received increased orders.

Our revenue from advanced display increased by 28.0% from RMB340.7 million in 2022 to RMB436.2 million in 2023, primarily because (i) we strengthened our sales effort and customer services, which led to an increase in the sales of our advanced display products; (ii) the increase in the sales of our high-tech and high-profit margin products, such as LED products integrating ICs with local dimming function and Mini LED products; and (iii) the growing trend of large screen television facilitated the sales of our advanced display products as the production of each unit would require more LED devices and modules due to the increased size. Specifically, the sales volume of LED products integrating ICs applied in LCD TVs over 75 inches we introduced in 2023 reached 2.8 million bars with an average selling price of RMB12.5 per bar. The sales volume of our Mini LED products increased from 0.5 million bars in 2022 to 5.7 million bars in 2023. The sales volume of advanced display products applied in LCD TVs over 75 inches sold in Mainland China increased from 14.4 million bars in 2022 to 22.1 million bars in 2023.

Revenue by Geographic Region

Our revenue from the sales in Mainland China increased by 38.8% from RMB1,136.0 million in 2022 to RMB1,576.8 million in 2023, primarily due to the increases in revenue from intelligent automotive vision and advanced display, which were mainly sold domestically.

Our revenue from the sales overseas increased by 2.4% from RMB274.6 million in 2022 to RMB281.3 million in 2023, primarily due to the increased sales of our high-end lighting modules in 2023, while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 29.2% from RMB1,175.4 million in 2022 to RMB1,519.0 million in 2023, primarily because (i) our raw materials and consumables increased by 24.7% from RMB948.0 million in 2022 to RMB1,182.4 million in 2023 due to the increased procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses and (ii) our depreciation and amortization expenses increased from RMB51.8 million in 2022 to RMB115.5 million in 2023 as we purchased more equipment and machinery for our intelligent automotive vision business.

Cost of Sales by Product Category

Our cost of sales increased by 29.2% from RMB1,175.4 million in 2022 to RMB1,519.0 million in 2023, primarily due to the increase in cost of sales of intelligent automotive vision, partially offset by the decrease in cost of sales of high-end lighting. Our cost of sales of intelligent automotive vision increased from RMB329.6 million in 2022 to RMB655.7 million in 2023. Our cost of sales of high-end lighting decreased by 8.0% from RMB541.5 million in 2022 to RMB498.4 million in 2023. Our cost of sales of advanced display increased by 19.9% from RMB304.4 million in 2022 to RMB364.9 million in 2023. Such changes were primarily in line with (i) the revenue changes of the respective business and (ii) our effort to strengthen the supply chain and production management. See "— Revenue — Revenue by Product Category" above and "— Gross Profit and Gross Margin."

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased from RMB235.2 million in 2022 to RMB339.0 million in 2023. Our gross profit margin increased from 16.7% in 2022 to 18.2% in 2023.

Gross Profit/(Loss) and Gross Margin by Product Category

Our gross profit margin for intelligent automotive vision decreased from 17.5% in 2022 to 14.9% in 2023. Specifically:

- our gross profit margin for intelligent automotive lamps decreased from 17.1% in 2022 to 13.8% in 2023, primarily because we adopted more competitive pricing strategies in response to the intensified market competition.

- our gross profit margin for automotive-grade LED devices and modules increased from 21.0% in 2022 to 28.2% in 2023, primarily due to an increase in the proportion of revenue contribution from products with higher-profit margin such as our high-power automotive-grade LED devices used in intelligent automotive lamps.

Our gross profit margin for high-end lighting increased from 19.2% in 2022 to 23.4% in 2023 despite a slight drop in the revenue during the same period. The increase in the gross profit margin was primarily because (i) the sales of our high-profit margin lighting devices and modules, such as outdoor lighting and horticultural lighting products, increased, as we strategically shifted our development and sales focus to high-tech and high-profit margin products, (ii) we strengthened our supply chain management by expanding the supplier pool for main raw materials and consumables and implementing bidding processes for key raw materials and consumables and (iii) we continued to enhance production management and improve production efficiency.

Our gross profit margin for advanced display increased from 10.7% in 2022 to 16.4% in 2023, primarily because (i) we launched several high-tech and high-profit margin advanced display products, such as LED products integrating ICs with local dimming function and Mini LED backlight modules, and (ii) we strengthened our supply chain management and production management, which improved our procurement and production efficiency.

Gross Profit/(Loss) and Gross Margin by Geographic Region

Our gross profit margin for the sales in Mainland China increased from 17.4% in 2022 to 18.6% in 2023, primarily due to (i) the increase in the gross profit margin for the high-end lighting and advanced display businesses, and (ii) our effort to enhance production management and improve production efficiency, partially offset by the decrease in the gross profit margin for intelligent automotive lamps.

Our gross profit margin for the sales in overseas increased from 13.8% in 2022 to 16.4% in 2023, primarily due to the increase in the overseas sales of our horticultural lighting devices and high-end lighting modules with high profit margins.

Other Income and Gains

Our other income and gains increased by 4.8% from RMB25.1 million in 2022 to RMB26.3 million in 2023, primarily due to (i) an increase primarily resulted from favorable VAT policy changes and (ii) an increase in investment income from financial assets at fair value through profit or loss due to our increased investment in wealth management products in line with our overall business expansion and revenue growth, partially offset by the decrease in our gain on foreign exchange differences as a result of the appreciation of the USD against the RMB in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 50.5% from RMB30.0 million in 2022 to RMB45.2 million in 2023, primarily due to (i) the increase in storage fees incurred for automotive lamps as we expanded intelligent automotive vision business and (ii) the increases in our staff costs, market development expenses and after-sales service fees, which were in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 19.0% from RMB100.3 million in 2022 to RMB119.4 million in 2023, primarily due to the increase in our staff costs because, in line with the growth of our intelligent automotive vision business, we raised staff salaries and bonus.

Research and Development Costs

Our research and development costs remained relatively stable at RMB88.7 million and RMB87.2 million in 2022 and 2023, respectively.

Other Expenses

Our other expenses increased by 53.5% from RMB24.0 million in 2022 to RMB36.8 million in 2023, primarily due to an increase in the net provision for impairment of inventory because the contract costs incurred for an intelligent automotive vision project exceeded the agreed-upon consideration promised by the customer, and thus we made a provision for impairment of costs incurred to fulfill contracts.

Finance Costs

Our finance costs decreased by 24.9% from RMB6.4 million in 2022 to RMB4.8 million in 2023, primarily due to a decrease in our interest on bank borrowing in relation to the Linlux production base because (i) the loan principal was partially repaid in December 2022 and 2023 and (ii) loan interest rates decreased in 2023 as compared to 2022.

Income Tax (Expense)/Credit

We recorded income tax credit of RMB28.4 million and income tax credit of RMB0.3 million in 2022 and 2023, respectively, primarily due to the decrease in our deferred tax liabilities arising from appreciation of assets acquired in business combination and accelerated depreciation of fixed assets.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB39.1 million in 2022 to RMB72.0 million in 2023.

Comparisons between 2022 and 2021

Revenue

Revenue by Product Category

Our revenue increased from RMB1,388.4 million in 2021 to RMB1,410.6 million in 2022, primarily due to the increase in revenue from intelligent automotive vision and advanced display, partially offset by the decrease in revenue from high-end lighting.

Our revenue from intelligent automotive vision increased significantly from RMB74.3 million in 2021 to RMB399.7 million in 2022, primarily because (i) we acquired a controlling interest in Lynway Vision in September 2021 and have consolidated its results since then, see "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision," and (ii) we strategically shifted our development and sales focus to the intelligent automotive vision business and commenced mass production of three intelligent automotive lamp projects in 2022, including two headlamp projects and one rear lamp project.

Our revenue from high-end lighting decreased by 35.2% from RMB1,033.9 million in 2021 to RMB670.2 million in 2022, primarily because one of our major customers, Customer B, and its contract manufacturers previously stocked up on LED devices and thus prioritized depleting existing inventory in 2022. The volume of their purchases in 2021 increased significantly by 1,813.1 million pieces, or 146.2% compared with 2020. As a result, revenue from Customer B and its contract manufacturers decreased from RMB334.5 million in 2021 to RMB260.3 million in 2022, and then recovered in 2023 as revenue from them increased to RMB303.1 million.

Our revenue from advanced display increased by 21.6% from RMB280.3 million in 2021 to RMB340.7 million in 2022, primarily due to our efforts in expanding customer base and securing new orders, which led to an increase in sales of our advanced display products.

Revenue by Geographic Region

Our revenue from the sales in Mainland China increased by 7.3% from RMB1,058.8 million in 2021 to RMB1,136.0 million in 2022, mainly due to the increase in our revenue from intelligent automotive vision and advanced display, the products of which were mainly sold domestically.

Our revenue from the sales overseas decreased by 16.7% from RMB329.6 million in 2021 to RMB274.6 million in 2022, mainly due to the decreases in revenue from our high-end lighting as a result of decreased market demand and orders from overseas caused by COVID-19, while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period.

Cost of Sales

Our cost of sales remained relatively stable at RMB1,160.1 million and RMB1,175.5 million in 2021 and 2022, respectively.

Cost of Sales by Nature

Our raw material and consumable costs and staff costs decreased from RMB966.2 million and RMB58.3 million in 2021 to RMB948.0 million and RMB54.1 million in 2022, respectively, primarily due to the decrease in the demand for high-end lighting LED devices and modules, which was partially offset by the increased raw material and consumable costs and staff costs incurred in intelligent automotive vision business and advanced display business. Our depreciation and amortization expenses increased from RMB32.8 million in 2021 to RMB51.8 million in 2022, primarily due to the increase in depreciation of our production bases and equipment, as well as the amortization of long-term deferred expenses for renovation and expansion as a result of the consolidation of Lynway Vision in September 2021.

Cost of Sales by Product Category

Our cost of sales of intelligent automotive vision products increased from RMB75.1 million in 2021 to RMB329.6 million in 2022. Our cost of sales of high-end lighting products decreased by 34.9% from RMB831.5 million in 2021 to RMB541.5 million in 2022. Our cost of sales of advanced display products increased by 20.1% from RMB253.5 million in 2021 to RMB304.4 million in 2022. Such changes were primarily in line with (i) the revenue changes of the respective business and (ii) the emerging economies of scales of our intelligent automotive vision business. See "— Revenue — Revenue by Product Category" above and "— Gross Profit and Gross Margin" below.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased from RMB228.3 million in 2021 to RMB235.2 million in 2022. Our gross profit margin increased from 16.4% in 2021 to 16.7% in 2022.

Gross Profit/(Loss) and Gross Margin by Product Category

We recorded gross loss margin of 1.1% and gross profit margin of 17.5% for intelligent automotive vision in 2021 and 2022, respectively, primarily because in 2021, the development of our intelligent automotive vision business was in its early stage, where we incurred substantial initial investment. As the number of intelligent automotive lamp projects under production increased from four in 2021 to seven in 2022, we achieved economies of scale and improved profit margins.

Our gross profit margin for high-end lighting remained relative stable at 19.6% in 2021 and 19.2% in 2022, respectively.

Our gross profit margin for advanced display increased from 9.6% in 2021 to 10.7% in 2022, primarily because (i) our bargaining power in procurement enhanced as a result of our increased sales volume and business scale and (ii) we enhanced our internal production management, including optimizing staffing arrangements and production line utilization in 2022, which led to lower production costs.

Gross Profit/(Loss) and Gross Margin by Geographic Region

Our gross profit margin for the sales in Mainland China increased from 16.4% in 2021 to 17.4% in 2022, primarily due to the increase in revenue and gross margin for our intelligent automotive vision business.

Our gross profit margin for the sales overseas decreased from 16.5% in 2021 to 13.8% in 2022, primarily due to the significant decrease in revenue from high-end lighting devices and decreased utilization rate of our production capacity as a result of the decreased market demand and orders from overseas caused by COVID-19 while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period.

Other Income and Gains

Our other income and gains decreased by 57.1% from RMB58.4 million in 2021 to RMB25.1 million in 2022, primarily due to (i) a decrease in government grants because we received an investment incentive subsidy of RMB20.0 million from local government in 2021 in relation to our Linlux production base and (ii) a decrease in the gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition as a result of the consolidation of Lynway Vision in September 2021. These were partially offset by a gain on foreign exchange differences, as a result of the appreciation of the USD against the RMB in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 44.0% from RMB20.8 million in 2021 to RMB30.0 million in 2022, primarily due to (i) the increase in storage fees incurred for intelligent automotive vision business since the consolidation of Lynway Vision in September 2021 and (ii) the increases in market development expenses, after-sales service fees and staff costs in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 27.8% from RMB78.5 million in 2021 to RMB100.3 million in 2022, primarily due to (i) the increase in staff costs as a result of the consolidation of Lynway Vision in September 2021 and (ii) the increase in depreciation and amortization expenses following the completion of the construction of Linlux production base.

Research and Development Costs

Our research and development costs increased by 43.1% from RMB62.0 million in 2021 to RMB88.7 million in 2022, primarily due to (i) an increase in our staff costs as a result of the consolidation of Lynway Vision in September 2021 and (ii) an increase in testing fees as a result of an increased third-party tests and inspection expenditure for our intelligent automotive vision products. This was partially offset by a decrease in raw materials and consumables used for the R&D of our high-end lighting products.

Other Expenses

Our other expenses increased from RMB8.2 million in 2021 to RMB24.0 million in 2022, primarily due to an increase in the net provision for impairment of inventories because the stockpiling by our customers subsequently reduced the demand for our LED device products in 2022. We adopted the kitting method to improve our inventory efficiency, where we bundle multiple components together as a single unit for shipping in anticipation of customer demand. Due to the reduced demand for LED device products in 2022, we made provisions for impairments of inventories in view of the low likelihood of the sales of such LED components through kitting method.

Finance Costs

Our finance costs increased from RMB2.8 million in 2021 to RMB6.4 million in 2022, primarily because the accrued interest on the bank borrowing in relation to the Linlux production base before the completion of the Linlux production base construction in August 2021 was capitalized.

Share of Loss of An Associate

Our share of loss of an associate decreased from RMB23.3 million in 2021 to nil in 2022, primarily due to the loss recorded by the associate, Lynway Vision, in 2021 as a result of its significant upfront R&D expenses while it had yet to start mass production. Our share of loss of an associate was nil in 2022 because we acquired the controlling interest in Lynway Vision in September 2021 and have consolidated its results since then.

Income Tax (Expense)/Credit

We recorded income tax expenses of RMB13.0 million and income tax credit of RMB28.4 million in 2021 and 2022, respectively, primarily because (i) our profit before tax decreased in 2022 and (ii) our deferred income tax decreased in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 49.9% from RMB78.0 million in 2021 to RMB39.1 million in 2022.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	816,861	844,946	877,052	871,982
Right-of-use assets	80,983	79,961	77,312	76,208
Goodwill	13,523	13,523	13,523	13,523
Other intangible assets	39,362	33,457	26,770	25,626
Deferred tax assets	9,021	37,722	37,038	37,941
Other non-current assets	6,562	5,307	181	4,638
Total non-current assets	**966,312**	**1,014,916**	**1,031,876**	**1,029,918**
Current assets				
Inventories	188,028	211,579	216,026	250,736
Trade and bills receivables	508,985	583,171	669,459	747,607
Contract assets	3,685	4,246	5,445	6,144
Prepayments, deposits and other receivables	37,457	11,525	12,953	13,947
Financial assets at fair value through profit or loss	111,341	98,299	187,479	116,859
Pledged deposits	67,270	45,702	67,041	64,291
Cash and cash equivalents	96,778	108,231	209,878	280,085
Total current assets	**1,013,544**	**1,062,753**	**1,368,281**	**1,479,669**
Current liabilities				
Trade and bills payables	479,888	507,302	794,203	865,161
Other payables and accruals	416,857	456,554	462,732	440,854
Tax payable	—	—	—	1,215
Contract liabilities	7,802	13,636	13,995	13,661
Interest-bearing bank borrowings	15,181	25,147	29,481	454
Lease liabilities	—	271	287	293
Total current liabilities	**919,728**	**1,002,910**	**1,300,698**	**1,321,638**
Net current assets	**93,816**	**59,843**	**67,583**	**158,031**

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Non-current liabilities				
Interest-bearing bank borrowings	135,000	105,000	50,472	62,110
Lease liabilities	—	909	623	637
Deferred income	6,976	9,109	14,296	13,139
Deferred tax liabilities	8,293	8,659	7,705	7,282
Total non-current liabilities	**150,269**	**123,677**	**73,096**	**83,168**
Net assets	**909,859**	**951,082**	**1,026,363**	**1,104,781**
Equity				
Equity attributable to owners of the parent				
Share capital	411,495	411,495	480,078	498,507
Other reserves	436,078	479,021	546,285	606,274
Non-controlling interests	62,286	60,566	—	—
Total equity	**909,859**	**951,082**	**1,026,363**	**1,104,781**

Property, Plant and Equipment

Our property, plant and equipment mainly consists of buildings, machinery and others, and construction in progress.

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Buildings	422,374	403,445	394,078	381,259
Machinery and others	367,521	394,366	456,487	431,029
Construction in progress	26,966	46,090	25,711	59,094
Leasehold improvements	—	1,045	776	600
Total	**816,861**	**844,946**	**877,052**	**871,982**

Our property, plant and equipment increased from RMB816.9 million as of December 31, 2021 to RMB844.9 million as of December 31, 2022, and further increased to RMB877.1 million as of December 31, 2023, primarily due to (i) our consolidation of Lynway Vision in September 2021 and (ii) the expansion of our intelligent automotive vision business and advanced display business. Our property, plant and equipment decreased from RMB877.1 million as of December 31, 2023 to RMB872.0 million as of five months ended May 31, 2024, primarily due to depreciation and amortization.

Right-of-Use Assets

Our right-of-use assets primarily include the lease contracts for the building and leasehold land we use in our operations. We leased properties for our own use, and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

As of December 31, 2021, 2022, 2023 and May 31, 2024, our right-of-use assets were RMB81.0 million, RMB80.0 million, RMB77.3 million and RMB76.2 million, respectively. Such decreases were due to amortization.

Other Intangible Assets

Our other intangible assets primarily consist of in-licensed trademarks and patents and office software.

As of December 31, 2021, 2022, 2023 and May 31, 2024, our other intangible assets were RMB39.4 million, RMB33.5 million, RMB26.8 million and RMB25.6 million, respectively. The continual decrease in our other intangible assets as of May 31, 2024 compared to December 31, 2021 was primarily due to the amortization of (i) the in-licensed trademarks and patents and (ii) office software.

Inventory

Our inventories consist of (i) raw materials and consumables, including LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components, (ii) work in progress, including our intelligent automotive vision, high-end lighting and advanced display products in production, (iii) finished goods, including our intelligent automotive vision, high-end lighting and advanced display products and (iv) contract costs, which are the costs incurred to fulfill contracts for our intelligent automotive lamp projects. Raw materials and consumables and finished goods, in aggregate, represented the majority of our inventories, accounting for 86.8%, 81.2%, 79.2% and 76.7% of our total inventories as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Raw materials and consumables	79,812	67,816	63,359	74,942
Work in progress	14,644	17,060	23,918	34,339
Finished goods	83,349	103,990	107,734	117,490
Contract costs	10,223	22,713	21,015	23,965
Total	**188,028**	**211,579**	**216,026**	**250,736**

Our inventories increased by 12.5% from RMB188.0 million as of December 31, 2021 to RMB211.6 million as of December 31, 2022, primarily due to (i) an increase in the inventory of finished goods, led by the increased number of intelligent automotive lamp projects and advanced display orders in 2022, and (ii) an increase in the contract costs primarily as a result of the increase in the costs incurred to fulfill contracts, in line with the growth of our intelligent automotive vision business. This was partially offset by a decrease in inventory of raw materials and consumables as a result of the reduced demand for these items from our high-end lighting business.

Our inventories remained relatively stable at RMB211.6 million and RMB216.0 million as of December 31, 2022 and 2023, respectively. Our inventories increased by 16.1% from RMB216.0 million as of December 31, 2023 to RMB250.7 million as of May 31, 2024, primarily due to the expanded production to fulfill the increased customer orders in our high-end lighting and advanced display businesses.

As of August 31, 2024, RMB172.1 million, or approximately 68.7%, of our inventories as of May 31, 2024 had been delivered or consumed.

The aging analysis of our inventories based on invoice date as of the dates indicated is as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Within three months	145,398	156,784	174,440	198,610
Three months to one year	35,623	31,051	25,224	34,608
Over one year	7,007	23,744	16,362	17,518
Total	**188,028**	**211,579**	**216,026**	**250,736**

The table below sets forth our inventory turnover days during the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2021	2022	2023	2024
	(days)			
Inventory turnover days(1)	58	61	51	51

Note:

(1) Inventory turnover days for each period equals the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and multiplied by 360 days for 2021, 2022 and 2023, or by 150 days for the five months ended May 31, 2024.

Our inventory turnover days remained relatively stable at 58 and 61 in 2021 and 2022, respectively. Our inventory turnover days decreased from 61 in 2022 to 51 in 2023, primarily because (i) we had slower inventory turnover in 2022 as our customers prioritized depleting their existing inventory and (ii) we strengthened our inventory management and optimized inbound warehousing standards subsequently in 2022 and 2023, which effectively reduced the stock of our finished goods. Our inventory turnover days remained relatively stable at 51 days in 2023 and the five months ended May 31, 2024.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Trade receivables	411,428	436,135	538,554	593,071
Bills receivables	107,703	159,107	144,286	169,479
Impairment	(10,146)	(12,071)	(13,381)	(14,943)
Total	**508,985**	**583,171**	**669,459**	**747,607**

As of December 31, 2021, 2022, 2023 and May 31, 2024, our trade and bills receivables were RMB509.0 million, RMB583.2 million, RMB669.5 million and RMB747.6 million, respectively. The continual increase was in line with the growth of our intelligent automotive vision business and advanced display business.

We normally grant credit terms of 60 to 120 days to our customers. The aging analysis of our trade and bills receivables, net of allowance for credit losses, based on invoice date is as follows:

	As of December 31,			As of May 31,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Within 60 days	270,222	360,058	431,968	522,808
61 to 120 days	169,624	111,016	145,319	134,549
121 to 180 days	53,681	103,994	87,911	70,752
181 days up to one year	15,450	8,072	3,437	17,285
One to two years	8	31	824	2,213
Total	**508,985**	**583,171**	**669,459**	**747,607**

Our trade and bills receivables aged between 121 to 180 days increased from RMB53.7 million as of December 31, 2021 to RMB104.0 million as of December 31, 2022 and decreased to RMB87.9 million and RMB70.8 million as of December 31, 2023 and May 31, 2024, respectively, primarily because some of our customers changed their payment methods between commercial acceptance drafts and bank acceptance drafts during the Track Record Period. Commercial acceptance drafts and bank acceptance drafts have different settlement cycles based on their respective accounting treatment. Bank acceptance drafts generally have shorter settlement cycles as compared to commercial acceptance drafts, because the full carrying amount of the endorsed drafts used by a company for settlements of payables and the associated payables settled can be derecognized for some of the bank acceptance drafts, after the company endorses such bank acceptance drafts. When a company endorses commercial acceptance drafts, such drafts continue to be recognized for their full carrying amount and the associated payables before the drafts mature, leading to longer settlement cycles. Our trade and bills receivables aged 181 days and up to one year increased from RMB3.4 million as of December 31, 2023 to RMB17.3 million as of May 31, 2024, primarily due to extended settlement with certain customers who had relatively longer payment cycles with their overseas clients.

During the Track Record Period, most of our trade and bills receivables were outstanding for less than one year. The following table sets forth the turnover days of our trade and bills receivables for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2021	2022	2023	2024
		(days)		
Trade and bills receivables turnover days[(1)]	112	144	124	129

Note:

(1) Trade and bills receivables turnover days equal the average of the opening and closing balances of trade and bills receivables divided by total revenue for the same period and multiplied by 360 days for 2021, 2022 and 2023, or by 150 days for the five months ended May 31, 2024.

Our trade and bills receivables turnover days increased from 112 in 2021 to 144 in 2022, and decreased to 124 in 2023, mainly because some of our customers changed their payment methods between commercial acceptance drafts and bank acceptance drafts during the Track Record Period. Commercial acceptance drafts and bank acceptance drafts have different settlement cycles based on their accounting treatment. Our trade and bills receivables turnover days remained relatively stable at 124 days and 129 days in 2023 and the five months ended May 31, 2024, respectively. No significant changes in the historical default rates of trade receivables, the economic conditions, performance, solvency or behavior of debtors were observed during the Track Record Period and up to the Latest Practicable Date. Therefore, we do not expect to experience any material issues with the recoverability of trade receivables in the foreseeable future.

As of August 31, 2024, RMB468.4 million, or 79.0%, of our trade receivables as of May 31, 2024 had been settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss recorded as current assets represented investments in wealth management products, primarily consisting of large-denomination certificates of deposits and structured deposits, which are short-term principal-guaranteed wealth management instruments. See Note 21 to the Accountants' Report of the Group in Appendix IA to this prospectus. We recorded financial assets at fair value through profit or loss of RMB111.3 million, RMB98.3 million, RMB187.5 million and RMB116.9 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. Our financial assets at fair value through profit or loss decreased by 11.7% from RMB111.3 million as of December 31, 2021 to RMB98.3 million as of December 31, 2022, primarily due to the redemption of our structured deposits at year end 2022. Our financial assets at fair value through profit or loss increased by 90.7% from RMB98.3 million as of December 31, 2022 to RMB187.5 million as of December 31, 2023, primarily due to our increased investment in wealth management products as a result of our increased amount of cash, in line with our overall business expansion and revenue growth. Our financial assets at fair value through profit or loss decreased by 37.7% from RMB187.5 million as of December 31, 2023 to RMB116.9 million as of May 31, 2024, primarily due to reduced investment in wealth management products. As of August 31, 2024, our financial assets at fair value through profit or loss amounted to RMB149.3 million, representing an increase in our investment in wealth management products.

We monitor and control our investment risks with a comprehensive set of internal policies and guidelines to manage our investments. Our current investments are principal-guaranteed wealth management products. In line with the company's business objectives and budget, we annually present a report detailing the proposed investment amount to both our Board and the general meeting of shareholders for their consideration and approval. Based on the approved investment quota, we will purchase wealth management products with idle funds while ensuring sufficient working capital to meet business needs, operating activities, R&D and capital expenditures, taking into account a number of factors including the macro-economic environment, general market conditions, risk control, credit of issuing financial institutions, our own working capital conditions, duration of the investment and the expected profit or potential loss of the investment. Our finance department plays a crucial role in proposing, analyzing, and evaluating potential investments in wealth management products. We strategically utilize our idle funds to invest in short-term wealth management products offered by banks. To control our risk exposure, we have been, and will continue to be, seeking other low-risk financial products. The purchase of relevant wealth management products is subject to the necessary approvals from the chief financial officer and the president of the Company before any investment within the approved limit can be executed. After making an investment, we closely monitor its performance and fair value on a regular basis. Our finance department will record details of each wealth management product, including purchase amount, redemption and return. A designated personnel from our finance department will actively monitor our expenditures and cash and bank balances. Upon the Listing, our investment in wealth management products is subject to the compliance with Chapter 14 of the Listing Rules.

Trade and Bills Payables

Our trade and bills payables primarily represent payables to the suppliers of raw materials and consumables and payables relating to equipment and construction costs. The aging analysis of our trade and bills payables, net of allowance for credit losses, based on invoice date is as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Within one year	479,378	504,831	792,766	860,820
One to two years	510	1,927	224	3,263
Two to three years	—	544	1,126	—
Over three years	—	—	87	1,078
Total	**479,888**	**507,302**	**794,203**	**865,161**

As of December 31, 2021, 2022, 2023 and the five months ended May 31, 2024, our trade and bills payables were RMB479.9 million, RMB507.3 million, RMB794.2 million and RMB865.2 million, respectively. The increase in our trade and bills payables as of December 31, 2022 compared to December 31, 2021 was primarily due to the increase in the demand for raw materials and consumables in line with the expansion of our intelligent automotive vision business. The increase in our trade and bills payables as of December 31, 2023 compared to December 31, 2022 was primarily due to (i) an increase in the procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses and (ii) the longer trade and bills payables turnover days resulting from our enhanced bargaining power in procurement. The increase in our trade and bills payables as of May 31, 2024 compared to December 31, 2023 was primarily due to the increase in the procurement volume of raw materials and consumables in line with the growth of our intelligent automotive vision and advanced display businesses.

As of August 31, 2024, RMB354.3 million, or 75.4%, of our trade payables as of May 31, 2024 had been settled.

The following table sets forth the turnover days of our trade and bills payables for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2021	2022	2023	2024
	(days)			
Trade and bills payables turnover days[(1)]	132	151	154	181

Note:

(1) Trade and bills payables turnover days equal the average of the opening and closing balances of trade and bills payables divided by total cost of sales for the same period and multiplied by 360 days for 2021, 2022 and 2023, or by 150 days for the five months ended May 31, 2024.

Our trade and bills payables turnover days increased from 132 in 2021 to 151 in 2022, and further increased to 154 and 181 in 2023 and the five months ended May 31, 2024, respectively, primarily because as our procurement scale continued to grow, our bargaining power in procurement was also strengthened, allowing us to secure more favorable payment terms during negotiations with suppliers.

Other Payables and Accruals

Our other payables and accruals primarily represent (i) government subsidy payable, (ii) other payables including accrued receivables, salaries payable, prepaid expenses and deposit guarantees and (iii) payroll and welfare payables.

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Deposits received	3,274	4,122	3,252	2,467
Payroll and welfare payable	30,583	32,383	36,657	28,952
Other payables	171,899	215,530	214,354	198,341
Government subsidy payable[(1)]	200,000	200,000	200,000	200,000
Other tax payables	11,101	4,519	8,469	11,094
Total	**416,857**	**456,554**	**462,732**	**440,854**

Note:

(1) Government subsidy payable represents the non-recurring subsidy stipulated in investment contracts, the attaching conditions of which are to be fulfilled in the following periods. The expansion of Lynway Ningbo production base in relation to an investment contract with the local government was delayed due to COVID-19 and is expected to commence operation in the first half of 2026.

Our other payables and accruals increased from RMB416.9 million as of December 31, 2021 to RMB456.6 million as of December 31, 2022 because we made more settlements through endorsement of commercial papers as our customers used more commercial papers in settlements, the amount of which was recognized as other payables before the maturity of the relevant commercial papers. Such commercial papers generally reach maturity in six months. As of December 31, 2021, 2022, 2023 and May 31, 2024, the average maturity period was 95 days, 96 days, 80 days and 77 days, respectively. Our other payables and accruals remained relatively stable at RMB456.6 million and RMB462.7 million as of December 31, 2022 and 2023, respectively. Our other payables and accruals decreased from RMB462.7 million as of December 31, 2023 to RMB440.9 million as of May 31 2024, primarily in relation to our payments for equipment and construction.

As of August 31, 2024, RMB121.1 million, or 27.5%, of our other payables and accruals as of May 31, 2024 had been settled.

Contract Assets and Contract Liabilities

We recorded contract assets of RMB3.7 million, RMB4.2 million, RMB5.4 million and RMB6.1 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. As of August 31, 2024, nil, of our contract assets as of May 31, 2024 had been certified.

We recorded contract liabilities of RMB7.8 million, RMB13.6 million, RMB14.0 million and RMB13.7 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. As of August 31, 2024, RMB0.5 million, or 3.9%, of our contract liabilities as of May 31, 2024 had been recognized as revenue.

Current Assets and Liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2021	2022	2023	2024	2024
			(RMB in thousands)		
					(unaudited)
Current assets					
Inventories	188,028	211,579	216,026	250,736	285,404
Trade and bills receivables	508,985	583,171	669,459	747,607	898,573
Contract assets	3,685	4,246	5,445	6,144	6,179
Prepayments, deposits and other receivables	37,457	11,525	12,953	13,947	19,600
Financial assets at fair value through profit or loss	111,341	98,299	187,479	116,859	149,336
Pledged deposits	67,270	45,702	67,041	64,291	87,235
Cash and cash equivalents	96,778	108,231	209,878	280,085	286,715
Total current assets	**1,013,544**	**1,062,753**	**1,368,281**	**1,479,669**	**1,733,042**
Current liabilities					
Trade and bills payables	479,888	507,302	794,203	865,161	1,033,347
Other payables and accruals	416,857	465,554	462,732	440,854	443,213
Tax payable	—	—	—	1,215	2,084
Contract liabilities	7,802	13,636	13,995	13,661	14,143
Interest-bearing bank borrowings	15,181	25,147	29,481	454	483
Lease liabilities	—	271	287	293	297
Total current liabilities	**919,728**	**1,002,910**	**1,300,698**	**1,321,638**	**1,493,567**
Net current assets	**93,816**	**59,843**	**67,583**	**158,031**	**239,475**

Our net current assets increased by 51.6% from RMB158.0 million as of May 31, 2024 to RMB239.5 million as of August 31, 2024, primarily due to increases in trade and bills receivables and inventories, partially offset by an increase in trade and bills payables. Such changes were primarily in line with the expansion of our high-end lighting and advanced display businesses.

Our net current assets increased by 133.8% from RMB67.6 million as of December 31, 2023 to RMB158.0 million as of May 31, 2024, primarily due to an increase in trade and bills receivables, partially offset by an increase in trade and bills payables due to the increase in the procurement volume of raw materials and consumables. Such changes were primarily in line with the revenue growth of our intelligent automotive vision and advanced display businesses.

Our net current assets increased by 13.0% from RMB59.8 million as of December 31, 2022 to RMB67.6 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents due to increased payments from our customers settled by cash, and (ii) an increase in financial assets at fair value through profit or loss due to our increased investment in wealth management products, both in line with our overall business expansion and revenue growth, partially offset by an increase in trade and bills payables primarily due to (i) an increase in the procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses and (ii) the longer trade and bills payables turnover days resulting from our enhanced bargaining power in procurement.

Our net current assets decreased by 36.2% from RMB93.8 million as of December 31, 2021 to RMB59.8 million as of December 31, 2022, primarily due to (i) an increase in trade and bills payables as a result of the increase in demand for raw materials and consumables in line with the expansion of our intelligent automotive vision business and (ii) an increase in other payables and accruals because we used more commercial papers in settlements. This was partially offset by an increase in trade and bills receivables in line with the growth of our intelligent automotive vision business and advanced display business.

INDEBTEDNESS

As of December 31, 2021, 2022, 2023 and May 31 and August 31, 2024, our indebtedness primarily included bank borrowings. The table below sets forth the details of our indebtedness as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(unaudited)
Current					
Interest-bearing bank borrowings	15,181	25,147	29,481	454	483
Lease liabilities	—	271	287	293	297
Non-current					
Interest-bearing bank borrowings	135,000	105,000	50,742	62,110	65,182
Lease liabilities	—	909	623	637	314
Total	**150,181**	**131,327**	**80,683**	**63,494**	**66,276**

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of August 31, 2024.

Bank Borrowings

The table below sets forth the details of our bank borrowings as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2021	**2022**	**2023**	**2024**	**2024**
		(RMB in thousands)			
					(unaudited)
Current					
Interest-bearing bank borrowings	15,181	25,147	29,481	454	483
Non-current					
Interest-bearing bank borrowings	135,000	105,000	50,472	62,110	65,182
Total	**150,181**	**130,147**	**79,953**	**62,564**	**65,665**

Our bank borrowings comprised both secured and unsecured bank loans, with effective interest rates ranging from 2.95% to 4.28% per annum. As of December 31, 2021, 2022, 2023 and May 31 and August 31, 2024, the aggregate balance of our borrowings was RMB150.2 million, RMB130.1 million, RMB80.0 million, RMB62.6 million and RMB65.7 million, respectively. As of August 31, 2024, we had unutilized banking facilities of RMB78.4 million.

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, the agreements relating to our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, withdrawal of facilities or requests for early repayment. For details, see Note 27 to the Accountants' Report of the Group in Appendix IA to this prospectus.

Our Directors confirm that there has not been any material change in our indebtedness since August 31, 2024 up to the date of this prospectus.

CONTINGENT LIABILITIES

As of August 31, 2024, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since August 31, 2024 to the date of this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we funded our working capital primarily from operating activities and bank borrowings. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements.

Working Capital Sufficiency

Taking into account our operating cash flow and the net proceeds from the Global Offering and the financial resources available to us, our Directors believe, and the Sole Sponsor concurs with our Directors that, we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this prospectus.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Cash generated from operations	93,575	120,554	424,735	201,866	43,705
Interest received	2,800	3,241	3,276	1,289	1,627
Income taxes (paid)/refund	(9,128)	1,492	3,481	3,481	(3,109)
Net cash flows from operating activities	**87,247**	**125,287**	**431,492**	**206,636**	**42,223**
Net cash flows used in investing activities	**(281,024)**	**(85,720)**	**(272,750)**	**(266,035)**	**3,275**
Net cash flows from/(used in) financing activities	**116,220**	**(28,524)**	**(57,070)**	**3,465**	**24,529**
Net (decrease)/increase in cash and cash equivalents	**(77,557)**	**11,043**	**101,672**	**(55,934)**	**70,027**
Cash and cash equivalents at beginning of the year/period	174,391	96,778	108,231	108,231	209,878
Effect of foreign exchange rate changes, net	(56)	410	(25)	(184)	180
Cash and cash equivalents at the end of the year/period	**96,778**	**108,231**	**209,878**	**52,113**	**280,085**

Net Cash Flows from Operating Activities

Net cash generated from or used in operating activities primarily comprised our profit before taxation for the period adjusted by (i) non-cash items, (ii) changes in working capital and (iii) the effect of interest received and income taxes paid or refunded.

In the five months ended May 31, 2024, we had net cash flows from operating activities of RMB42.2 million, which was primarily due to (i) an increase in trade and bills payables of RMB80.3 million and (ii) depreciation of property, plant and equipment of RMB50.8 million, partially offset by (i) an increase in trade and bills receivables of RMB79.9 million and (ii) an increase in inventories of RMB41.4 million. Our net cash flows from operating activities decreased from RMB206.6 million in the five months ended May 31, 2023 to RMB42.2 million in the five months ended May 31, 2024, primarily due to the increase in trade and bills receivables as some of our customers changed their payment methods between commercial acceptance drafts and bank acceptance drafts. See "— Description of Certain Components of Our Consolidated Statements of Financial Position — Trade and Bills Receivables."

In 2023, we had net cash flows from operating activities of RMB431.5 million, primarily due to (i) depreciation of property, plant and equipment of RMB118.5 million, (ii) an increase in trade and bills payables of RMB255.8 million and (iii) an increase in other payables and accruals of RMB50.2 million, partially offset by (i) an increase in trade and bills receivables of RMB88.0 million and (ii) an increase in inventories of RMB34.6 million.

In 2022, we had net cash flows from operating activities of RMB125.3 million, primarily due to (i) depreciation of property, plant and equipment of RMB97.5 million, (ii) an increase in other payables and accruals of RMB40.2 million and (iii) an increase in trade and bills payables of RMB34.3 million, partially offset by (i) an increase in trade and bills receivables of RMB76.0 million and (ii) an increase in inventories of RMB39.9 million.

In 2021, we had net cash flows from operating activities of RMB87.2 million, primarily due to (i) depreciation of property, plant and equipment of RMB61.2 million, (ii) an increase in other payables and accruals of RMB46.0 million and (iii) an increase in trade and bills payables of RMB46.4 million, partially offset by (i) an increase in trade and bills receivables of RMB130.0 million and (ii) an increase in inventories of RMB34.3 million.

Net Cash Flows (Used in)/From Investing Activities

In the five months ended May 31, 2024, we had net cash flows from investing activities of RMB3.3 million, which was primarily attributable to the proceeds from the disposal of financial assets at fair value through profit or loss of RMB462.0 million, partially offset by the purchases of financial assets at fair value through profit or loss of RMB391.0 million and the purchases of items of property, plant and equipment of RMB68.8 million.

In 2023, we had net cash flows used in investing activities of RMB272.8 million, which was primarily attributable to the purchase of financial assets at fair value through profit or loss of RMB1,637.0 million, partially offset by the proceeds from disposal of items of financial assets at fair value through profit of loss of RMB1,549.0 million.

In 2022, we had net cash flows used in investing activities of RMB85.7 million, which was primarily attributable to the purchase of financial assets at fair value through profit or loss of RMB795.5 million and the purchase of items of property, plant and equipment of RMB118.1 million, partially offset by the proceeds from the disposal of financial assets at fair value through profit or loss of RMB808.4 million.

In 2021, we had net cash flows used in investing activities of RMB281.0 million, which was primarily attributable to the purchase of financial assets at fair value through profit or loss of RMB405.9 million and the purchase of items of property, plant and equipment of RMB223.7 million, partially offset by the proceeds from the disposal of financial assets at fair value through profit or loss of RMB381.3 million.

Net Cash Flows from/(Used in) Financing Activities

In the five months ended May 31, 2024, we had net cash flows from financing activities of RMB24.5 million, which was primarily attributable to the capital contribution from shareholders of RMB43.2 million and new bank borrowings of RMB11.6 million, partially offset by the repayment of bank borrowings of RMB29.4 million.

In 2023, we had net cash flows used in financing activities of RMB57.1 million, which was primarily attributable to the repayment of bank borrowings of RMB79.5 million, partially offset by the new bank borrowings of RMB29.4 million.

In 2022, we had net cash flows used in financing activities of RMB28.5 million, which was primarily attributable to the repayment of bank borrowings of RMB65.6 million, partially offset by the new bank and other borrowings of RMB43.9 million.

In 2021, we had net cash flows from financing activities of RMB116.2 million, which was primarily attributable to the new bank and other borrowings of RMB252.0 million, partially offset by the repayment of bank borrowings of RMB131.0 million.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods or as of the dates indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
				(unaudited)	
Revenue growth[1]	—	1.6%	31.7%	—	35.0%
Gross profit growth[2]	—	3.0%	44.1%	—	47.9%
Gross profit margin[3]	16.4%	16.7%	18.2%	16.7%	18.3%
Adjusted net profit margin (non-IFRS measure)[4]	5.7%	2.9%	4.4%	1.3%	5.6%
Adjusted EBITDA margin (non-IFRS measure)[5]	11.9%	9.1%	11.7%	9.8%	12.7%

	As of December 31,			As of May 31,
	2021	2022	2023	2024
Current ratio *(times)*[6]	1.1	1.1	1.1	1.1
Quick ratio *(times)*[7]	0.9	0.8	0.9	0.9
Gearing ratio[8]	16.5%	13.7%	7.8%	5.7%

Notes:

(1) Revenue growth is calculated as the period-on-period growth rate of revenue.

(2) Gross profit growth is calculated as the period-on-period growth rate of gross profit.

(3) The calculation of gross profit margin is based on gross profit for the period divided by revenue and multiplied by 100%. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit/(Loss) and Gross Margin."

(4) Adjusted net profit margin (non-IFRS measure) is calculated as adjusted net profit (non-IFRS measure) divided by revenue and multiplied by 100%.

(5) Adjusted EBITDA margin (non-IFRS measure) is calculated as adjusted EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%.

(6) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.

(7) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the relevant period end.

(8) Gearing ratio is calculated as total bank borrowings divided by the total equity as of the end of the respective period and multiplied by 100%.

Revenue growth

See "— Results of Operations" for a discussion of the factors affecting our revenue growth during the Track Record Period.

Gross profit growth

See "— Results of Operations" for a discussion of the factors affecting our gross profit growth during the Track Record Period.

Gross profit margin

Our gross profit margin increased from 16.4% in 2021 to 16.7% in 2022, and further increased to 18.2% in 2023, primarily due to (i) the development of our intelligent automotive business and advanced display business, (ii) the increased sales of our high-end lighting products with high profit margin, and (iii) our enhanced production management and improved production efficiency. Our gross profit margin increased from 16.7% in the five months ended May 31, 2023 to 18.3% in the five months ended May 31, 2024, primarily due to (i) improved operational efficiencies achieved from the growth of our intelligent automotive business, (ii) the increased sales of our high-tech and high-profit margin products in the high-end lighting business, and (iii) measures taken to maintain the competitive advantage of our products, including product design optimization, process improvement and enhanced supply chain management. See "— Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Adjusted net profit margin (non-IFRS measure)

Our adjusted net profit margin (non-IFRS measure) decreased from 5.7% in 2021 to 2.9% in 2022, primarily due to the increase in our revenue attributable to the intelligent automotive vision business and advanced display business and the decrease in our profit for the year. Our adjusted net profit margin (non-IFRS measure) increased from 2.9% in 2022 to 4.4% in 2023 and from 1.3% in the five months ended May 31, 2023 to 5.6% in the five months ended May 31, 2024, primarily due to the increase in our profit for the year/period. See "— Results of Operations" for a discussion of the factors affecting our adjusted net profit margin (non-IFRS measure) during the Track Record Period.

Adjusted EBITDA margin (non-IFRS measure)

Our adjusted EBITDA margin (non-IFRS measure) decreased from 11.9% in 2021 to 9.1% in 2022, primarily due to the decrease in our profit for the year. Our adjusted EBITDA margin (non-IFRS measure) increased from 9.1% in 2022 to 11.7% in 2023 and from 9.8% in the five months ended May 31, 2023 to 12.7% in the five months ended May 31, 2024, primarily due to the increase in our profit for the year/period and the increase in depreciation of property, plant and equipment. See "— Results of Operations" and "— Principal Components of Our Consolidated Statements of Profit or Loss — Non-IFRS Financial Measure — EBITDA (Non-IFRS Measure) and Adjusted EBITDA (Non-IFRS Measure)" for a discussion of the factors affecting our adjusted EBITDA margin (non-IFRS measure) during the Track Record Period.

Current ratio

Our current ratio remained stable at 1.1x as of December 31, 2021, 2022, 2023 and May 31, 2024.

Quick ratio

Our quick ratio remained relatively stable at 0.9x, 0.8x, 0.9x and 0.9x as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively.

Gearing ratio

Our gearing ratio decreased from 16.5% as of December 31, 2021 to 13.7% as of December 31, 2022, to 7.8% as of December 31, 2023, and further decreased to 5.7% as of May 31, 2024, primarily due to (i) the decrease in our bank borrowings and (ii) the increase in our total equity.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for purchases of financial assets at fair value through profit or loss and purchase of items of property, plant and equipment. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Purchases of financial assets at fair value through profit or loss	405,900	795,500	1,637,000	694,000	391,000
Purchases of items of property, plant and equipment	223,691	118,093	165,973	80,911	68,799
Purchases of intangible assets	2,567	4,433	2,979	972	3,168
Acquisition of a subsidiary, net of cash and cash equivalents held by subsidiary at the acquisition date	13,619	—	—	—	—
Total	**645,777**	**918,026**	**1,805,952**	**775,883**	**462,967**

Our capital expenditures amounted to RMB645.8 million, RMB918.0 million, RMB1,806.0 million, RMB775.9 million and RMB463.0 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operations. Going forward, we intend to use capital expenditures primarily for (i) the production capacity expansion of our intelligent automotive vision business and advanced display business and (ii) technical upgrades and efficiency improvement of our equipment and machinery.

We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 36 to Appendix IA to this prospectus. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm's-length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our principal financial instruments comprise interest-bearing bank loans, finance assets at fair value through profit or loss and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from our operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Our Board reviews and agrees policies for managing each of these risks, and they are summarized below:

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each period of the Track Record Period to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of our profit before tax.

	Increase/(decrease) in foreign currency rate	Increase/(decrease) in profit before tax
	%	*(RMB in thousands)*
As of May 31, 2024		
If the RMB weakens against the USD	5	4,554
If the RMB strengthens against the USD	(5)	(4,554)
As of December 31, 2023		
If the RMB weakens against the USD	5	2,760
If the RMB strengthens against the USD	(5)	(2,760)
As of December 31, 2022		
If the RMB weakens against the USD	5	3,701
If the RMB strengthens against the USD	(5)	(3,701)
As of December 31, 2021		
If the RMB weakens against the USD	5	853
If the RMB strengthens against the USD	(5)	(853)

Credit Risk

An impairment analysis was performed at the end of each period of the Track Record Period using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on our Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year-end staging classification as of the end of each period of the Track Record Period. The amounts presented are gross carrying amounts for financial assets.

As of December 31, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	508,985	508,985
Financial assets included in prepayments, other receivables and other assets	2,652	—	—	—	2,652
Pledged deposits	67,270	—	—	—	67,270
Cash and cash equivalents	96,778	—	—	—	96,778
Total	**166,700**	**—**	**—**	**508,985**	**675,685**

As of December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	583,171	583,171
Financial assets included in prepayments, other receivables and other assets	489	—	—	—	489
Pledged deposits	45,702	—	—	—	45,702
Cash and cash equivalents	108,231	—	—	—	108,231
Total	**154,422**	**—**	**—**	**583,171**	**737,593**

As of December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	669,459	669,459
Financial assets included in prepayments, other receivables and other assets	840	—	254	—	1,094
Pledged deposits	67,041	—	—	—	67,041
Cash and cash equivalents	209,878	—	—	—	209,878
Total	**277,759**	**—**	**254**	**669,459**	**947,472**

As of May 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	757,370	757,370
Financial assets included in prepayments, other receivables and other assets	1,070	—	254	—	1,324
Pledged deposits	64,291	—	—	—	64,291
Cash and cash equivalents	280,085	—	—	—	280,085
Total	**345,446**	**—**	**254**	**757,370**	**1,103,070**

Liquidity Risk

Our Group monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of our Group's financial liabilities as of the end of each period of the Track Record Period, based on the contractual undiscounted payments, is as follows:

As of December 31, 2021

	Less than 1 year	1 to 3 years	Over 3 years	Total
	(RMB in thousands)			
Interests-bearing bank loans	21,408	91,743	54,093	167,244
Trade and bills payables	479,888	—	—	479,888
Other payables and accruals	371,711	—	—	371,711
	873,007	**91,743**	**54,093**	**1,018,843**

As of December 31, 2022

	Less than 1 year	1 to 3 years	Over 3 years	Total
	(RMB in thousands)			
Interests-bearing bank loans	30,300	110,437	—	140,737
Lease liabilities	330	661	330	1,321
Trade and bills payables	507,302	—	—	507,302
Other payables and accruals	415,159	—	—	415,159
	953,091	**111,098**	**330**	**1,064,519**

As of December 31, 2023

	Less than 1 year	1 to 3 years	Over 3 years	Total
	(RMB in thousands)			
Interests-bearing bank loans	31,624	51,840	—	83,464
Lease liabilities	330	661	—	991
Trade and bills payables	794,203	—	—	794,203
Other payables and accruals	416,421	—	—	416,421
	1,242,578	**52,501**	**—**	**1,295,079**

As of May 31, 2024

	Less than 1 year	1 to 3 years	Over 3 years	Total
	(RMB in thousands)			
Interest-bearing bank borrowings	2,794	53,451	10,467	66,712
Lease liabilities	330	661	—	991
Trade and bills payables	865,161	—	—	865,161
Other payables and accruals	399,226	—	—	399,226
Total	1,267,511	54,112	10,467	1,332,090

Capital Management

The primary objective of our Group's capital management is to ensure that we maintain a strong credit profile and healthy capital ratios in order to support our business and maximize shareholder value.

Our Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

Our Group monitors capital using the debt/asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as of the end of each period of the Track Record Period were as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Total liabilities	1,069,997	1,126,587	1,373,794	1,404,806
Total assets	1,979,856	2,077,669	2,400,157	2,509,587
Debt-to-asset ratio	54%	54%	57%	56%

DIVIDEND POLICY

Our Company is a joint stock company incorporated in the People's Republic of China with limited liability. The payment and amount of any future dividend depend on the availability of dividends received from our subsidiaries.

During the Track Record Period, no dividend was declared or paid by the Company. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Pursuant to the relevant provisions of the Company Law of the PRC, prior to the allocation of post-tax profits to shareholders, a company is mandated to make up any accrued losses and adhere to the prescribed extraction of statutory reserves as per regulatory requirements. Consequently, if the post-tax profits of a company prove insufficient to adequately offset extant losses, the company remains proscribed from distributing post-tax profits amongst its shareholders.

Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval in our shareholders' meeting. We currently do not have any pre-determined dividend payout ratio. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Over the next three years, we intend to adopt a dividend payout ratio of no less than 30% of our net profit of the year of dividend payment, according to our business operations and cash flow position, which is subject to the approvals of the Board and the shareholders' meeting. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

DISTRIBUTABLE RESERVES

As of May 31, 2024, our Company had RMB337.2 million of retained profits available for distribution to our shareholders, according to the conditions under the PRC laws.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information."

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this prospectus there has been no material adverse change in our financial or trading position or prospects since May 31, 2024 (being the date of our latest audited financial statements) and there has been no event since May 31, 2024 which would materially affect the information shown in the Accountants' Report of the Group set out in Appendix IA to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB52.3 million (at the Offer Price of HK$3.61 per Offer Share and no exercise of the Offer Size Adjustment Option), representing 47.2% of the gross proceeds (based on the Offer Price of HK$3.61 per Offer Share and assuming that the Offer Size Adjustment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB19.3 million, including RMB18.2 million recorded as administrative expenses and RMB1.1 million capitalized. We expect to incur listing expenses of approximately RMB33.0 million, of which approximately RMB19.4 million is expected to be recognized in the consolidated statements of profit or loss as administrative expenses and approximately RMB13.6 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2024. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB11.7 million and (ii) non-underwriting-related expenses of approximately RMB40.6 million, which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately RMB25.5 million and other fees and expenses of approximately RMB15.1 million.