

CENTENARY UNITED HOLDINGS LIMITED 世紀聯合控股有限公司

(incorporate in the Cayman Islands with limited liability)

Stock code : 1959



Sole Sponsor



富強金融資本
FORTUNE FINANCIAL CAPITAL

Joint Global Coordinators



富強證券
FORTUNE (HK) SECURITIES



茂宸證券有限公司
MASON SECURITIES LIMITED



山證國際
SHANXI SECURITIES INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



富強證券
FORTUNE (HK) SECURITIES



茂宸證券有限公司
MASON SECURITIES LIMITED



山證國際
SHANXI SECURITIES INTERNATIONAL



安信國際
ESSENCE INTERNATIONAL

IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



CENTENARY UNITED HOLDINGS LIMITED

世紀聯合控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	125,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	12,500,000 Shares (subject to adjustment)
Number of International Placing Shares	:	112,500,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.23 per Offer Share (payable in full on application, plus a brokerage of 1.0%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% and subject to refund) and expected to be not less than HK\$1.01 per Offer Share
Nominal value	:	HK\$0.01 per Share
Stock code	:	1959

Sole Sponsor



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



Co-Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, with the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section entitled "Risk Factors" in this prospectus.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Company on or around Friday, 11 October 2019 and, in any event, not later than Thursday, 17 October 2019. The Offer Price will be not more than HK\$1.23 per Offer Share and is currently expected to be not less than HK\$1.01 per Offer Share unless otherwise announced. If the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Company, the Global Offering will lapse and will not proceed. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus. It is important that you carefully read that section for further details.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range above on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published on the websites of our Company at www.car2000.com.cn and the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

30 September 2019

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement on the websites of our Company at www.car2000.com.cn and the Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾

Latest time to complete electronic applications
under the **HK eIPO White Form** service through
the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Friday, 11 October 2019

Application lists open⁽³⁾ 11:45 a.m. on Friday, 11 October 2019

Latest time to give **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Friday, 11 October 2019

Latest time to lodge **WHITE** and **YELLOW**
Application Forms 12:00 noon on Friday, 11 October 2019

Latest time to complete payment of
HK eIPO White Form application by
effecting internet banking transfer(s) or
PPS Payment transfer(s) 12:00 noon on Friday, 11 October 2019

Application lists close⁽³⁾ 12:00 noon on Friday, 11 October 2019

Expected Price Determination Date⁽⁵⁾ Friday, 11 October 2019

Announcement of:

- (i) the final Offer Price;
- (ii) the indication of level of interest in the International Placing;
- (iii) the level of applications in the Hong Kong Public Offer; and
- (iv) the basis of allotment of the Hong Kong Public Offer (with successful applicants' identification document numbers, where applicable) to be published on our website at www.car2000.com.cn and the website of the Stock Exchange at www.hkexnews.hk on or before Thursday, 17 October 2019

Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at www.car2000.com.cn and the website of the Stock Exchange at www.hkex.com.hk (for further details, please see "How to apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from Thursday, 17 October 2019

EXPECTED TIMETABLE

Date⁽¹⁾

Results of allocations in the Hong Kong Public Offer

will be available at www.tricor.com.hk/ipo/result or

www.hkeipo.hk/IPOResult, with a “search by ID”

function from Thursday, 17 October 2019

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before ^(7 to 8)

Thursday, 17 October 2019

Despatch/Collection of Share certificates

on or before^(7 to 8) Thursday, 17 October 2019

Dealings in the Shares on the Stock Exchange

expected to commence at 9:00 a.m. on Friday, 18 October 2019

The application for the Hong Kong Offer Shares will commence on Monday, 30 September 2019 through Friday, 11 October 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 17 October 2019. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 18 October 2019.

Notes:

- (1) All times and dates refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 October 2019, the application lists will not open on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, 11 October 2019. If, for any reason, the Offer Price is not agreed on or before Thursday, 17 October 2019 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

EXPECTED TIMETABLE

- (6) Share certificates for the Offer Shares are expected to be issued on or before Thursday, 17 October 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 18 October 2019 provided that (i) the Global Offering has become unconditional in all respects, and (ii) none of the Underwriting Agreements have been terminated in accordance with its terms.
- (7) Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms who have indicated in their Application Forms that they wish to collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 17 October 2019 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (8) **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price is less than the price payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applications, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares" of this prospectus.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

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SUMMARY

This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Established in 1999, we are an integrated auto service provider in Zhongshan, Guangdong province of the PRC with a focus on mid-to-high end sino-foreign and international brands. As at 31 December 2018, we were the largest 4S dealership group in Zhongshan in terms of the number of 4S dealership outlets and ranked 13th by ACMR amongst privately-owned 4S dealership groups in the Guangdong province according to the ACMR Report.

During the Track Record Period, we operated 4S dealership outlets dedicated to the following brands: Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick as authorised by our respective automobile manufacturers. During the Track Record Period, we did not sell any new energy vehicles. Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019 and we expect our new Cadillac outlet to commence operation in the first quarter of 2020. Save for a small number of commercial vehicles, all the vehicles we sold during the Track Record Period were passenger vehicles.

One of our Group’s key growth strategies is to develop and expand our other integrated auto services business. During the Track Record Period, the gross profit margin of our other integrated auto services was over 27.0% whilst the gross profit margin of our sales of motor vehicles was below 10.0%.

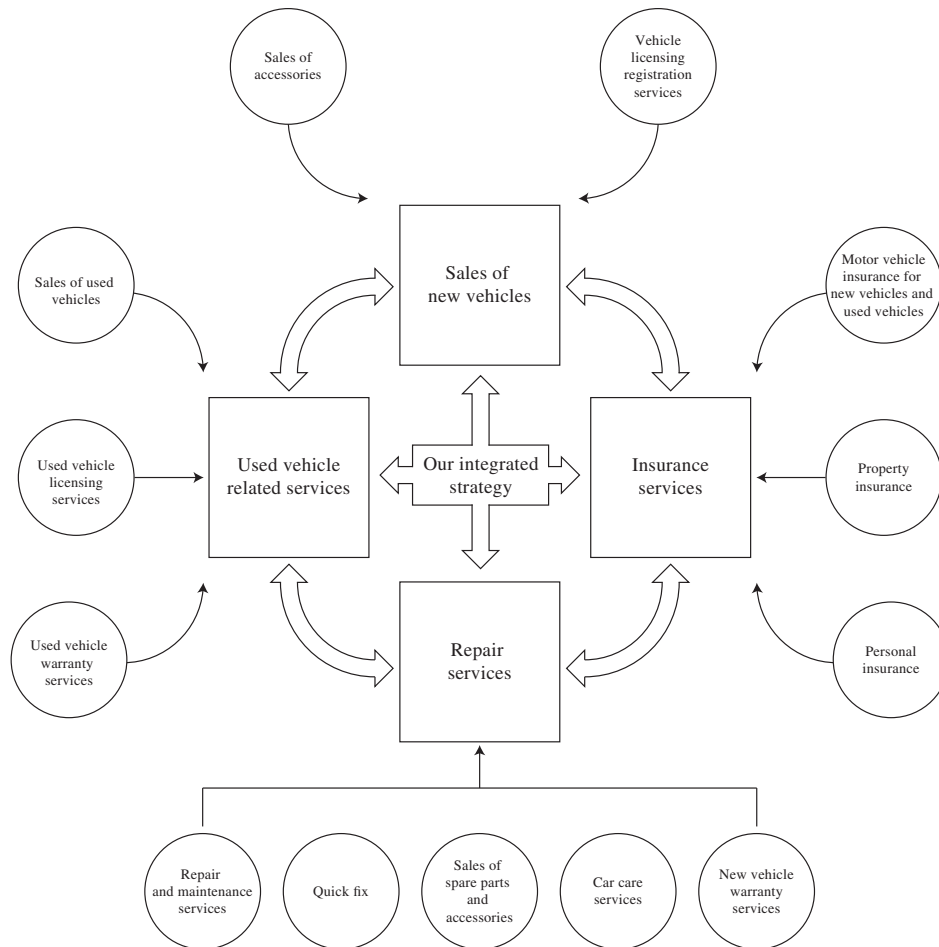
OUR BUSINESS

We offer our customers a comprehensive array of automobile-related products and services including the sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services.

During the Track Record Period, we primarily conducted our businesses through 13 4S dealership outlets, a quick fix auto centre, five quick fix service points and an insurance agency company which are located in Zhongshan within the Guangdong province of the PRC.

SUMMARY

It is one of our core strategies to foster an one-stop automobile ecosystem by integrating a comprehensive array of auto services to increase stickiness of our customers and to improve the overall profitability of our business as a whole. The diagram below intends to show the inter-relationship of our auto services:



Integrated auto services ecosystem

For further details, please refer to the section headed “Business — Our Business Segments” in this prospectus.

PRICING POLICY

The retail prices of our new vehicles are determined with reference to our manufacturers’ suggested retail prices, market demand for a particular model, the number of passenger vehicles of the same model in inventory and the presence of competing dealerships. For details of the pricing policy regarding other types of auto services, please refer to the section headed “Business — Our Business Segments” in this prospectus.

SUMMARY

INCENTIVE REBATES

For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operation — Cost of sales” in this prospectus. Our cost of motor vehicles is affected by the incentive rebates granted by automobile manufacturers. The automobile manufacturers settle the rebates with us from time to time in the form of discount for subsequent new vehicle purchases and discount for subsequent spare parts or accessories purchases. Incentive rebates are accrued at each financial reporting date based on the actual purchase volume and sales volume of passenger vehicles, corresponding rebate rates and amount as agreed with automobile manufacturers. Incentive rebates related to sales of new vehicles already sold are deducted from cost of sales. Conversely, incentive rebates attributable to new vehicles already procured from automobile manufacturers but still held in our inventories on the reporting date are deducted from the carrying value of these inventory items, so that the cost of inventories is recorded net of applicable rebates. During the Track Record Period, as a result of our improved sales performance, we received more incentive rebates of approximately RMB187.6 million, RMB239.3 million, RMB340.5 million and RMB139.4 million for the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively.

OUR SUPPLIERS

Our top five suppliers are manufacturers of new passenger vehicles and spare parts. For the three years ended 31 December 2018 and the four months ended 30 April 2019, total purchase from our top five suppliers accounted for 86.5%, 82.9%, 92.0% and 84.0% of our total purchase respectively and total purchase from our single largest supplier accounted for 39.2%, 41.6%, 38.1% and 53.0% of our total purchase, respectively.

OUR CUSTOMERS

Our customers mainly include motor vehicle wholesalers and retailers, individuals, corporations and government entities. For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue contribution from our top five customers accounted for 0.5%, 1.7%, 0.6% and 2.9%, respectively. Due to the retail nature of our passenger vehicle dealership business, we do not have any single major customer and we believe that our top five customers accounted for less than 30.0% of our total revenue during the Track Record Period. For details, please refer to the section headed “Business — Our Customers” in this prospectus.

COMPETITION AND COMPETITIVE STRENGTHS

The automobile dealership industry in the PRC is highly competitive and fragmented. According to the ACMR Report, the top five dealership groups in the PRC in terms of revenue had approximately 10.8% of the market share in 2018.

Please refer to the section headed “Business — Competitive Strengths” in this prospectus for more details of our competitive strengths. A summary of our competitive strengths are set out below:

- We are a leading 4S dealership group in Zhongshan, Guangdong province, and we are well positioned to capture opportunities in relatively higher growth markets in the PRC;

SUMMARY

- Our extensive network, large customer base, comprehensive auto services offering has laid a strong foundation for us to further enhance and develop our other integrated auto service business, which is a high profitability business segment and key growth driver of our Group;
- We have established stable and long-term relationships with leading manufacturers of mid-to-high end passenger vehicles;
- We provide high quality customer services; and
- We have an experienced management team and a stable pool of skilled personnel.

OUR STRATEGIES

Please refer to the section headed “Business — Our Strategies” in this prospectus for more details of our strategies. A summary of our strategies are set out below:

- Continue to expand our motor vehicle sale and service network through organic growth which includes the opening of the new outlet for Cadillac, the new outlet for JETTA brand (which is a new brand of FAW Volkswagen) and the new energy vehicle megastore and the upgrading of existing outlets, or through selective acquisition;
- Expansion of our other integrated auto services through the opening of additional quick fix auto centres, the further development of used vehicle services and used vehicle marketplaces, and through our increase in cross-selling efforts and enhancement of overall profitability through insurance agency services; and
- Big data analysis and online marketing.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.12, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Global Offering, our Group estimates that the aggregate net proceeds to our Company from the Global Offering will be approximately HK\$107.5 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$33.4 million (or approximately 31.1% of the proceeds) will be used for financing the expenditures required in connection with the organic growth of our motor vehicle sale and service network via our opening of new outlets in Zhongshan;
- approximately HK\$27.4 million (or approximately 25.5% of the proceeds) will be used for financing our network’s expansion through selective acquisition of other automobile dealership outlets if suitable opportunities arise;
- approximately HK\$30.2 million (or approximately 28.1% of the proceeds) will be used for financing the expansion of our other integrated auto services;
- approximately HK\$11.0 million (or approximately 10.2% of the proceeds) will be used for optimising and upgrading our information technology system to facilitate big data analysis and the integration of our online and offline customer services; and

SUMMARY

- approximately HK\$5.5 million (or approximately 5.1% of the proceeds) will be used for general working capital purposes.

For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

REASONS FOR AND BENEFITS OF LISTING

Our Directors believe that the Listing would be crucial for our Group and could strengthen our business as follows: (i) the Listing could facilitate the implementation of our business strategies, as it helps strengthen our financial position; (ii) our Directors consider the Global Offering to be an alternative to raise funds for implementing our future plans in addition to operating cash flows and bank and other borrowings; (iii) the Listing would provide a fund-raising platform for our Company to gain direct access to the capital market for equity and/or debt financing; and (iv) the Listing and our status as a listed company would facilitate us to attracting talents to join our Group. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

OUR FINANCIAL DATA

The following tables set out the consolidated financial information of our Group during the Track Record Period as extracted from, and should be read in conjunction with, the Accountants’ Report in Appendix I of this prospectus.

Summary of Consolidated Statements of Comprehensive Income

The following table sets forth selected items of our consolidated statements of comprehensive income during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,834,701	1,904,919	1,940,311	531,300	568,329
Gross profit	122,365	145,422	174,378	44,494	54,312
Profit before tax	23,098	43,441	53,500	9,437	11,475
Profit for the year/ (period) and other comprehensive income for the year/(period)	14,766	30,679	34,438	4,209	5,844

SUMMARY

Summary of consolidated statements of financial position

The following table sets forth selected items of our consolidated statements of financial position during the Track Record Period:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	144,970	130,488	135,510	152,286
Total current assets	493,707	487,073	560,117	473,667
Total current liabilities	474,670	480,555	519,857	358,553
Total non-current liabilities	31,526	28,848	64,900	195,638
Net current assets	19,037	6,518	40,260	115,114
Net assets	132,481	108,158	110,870	71,762

As at 31 December 2017, we had net current assets of approximately RMB6.5 million, representing a decrease of approximately RMB12.5 million, or 65.8% from our net current assets of approximately RMB19.0 million as at 31 December 2016. Such decrease was primarily due to: (i) an increase in amount due to a director of approximately RMB71.0 million which was mainly due to the dividend payable, of approximately RMB45.4 million and remaining consideration payable for the acquisition of entire equity interest of Dongri Automobile of approximately RMB5.0 million in 2017; and (ii) a decrease in cash and cash equivalents of approximately RMB16.0 million. This was partially offset by: (i) a decrease in trade and bills payables of approximately RMB55.5 million as a result of our settlement of amounts due to our automobile manufacturers for our purchase of inventories; and (ii) an increase in prepayments, other receivables and other assets of approximately RMB14.1 million.

As at 31 December 2017, we had net assets of approximately RMB108.2 million, representing a decrease of approximately RMB24.3 million, or 18.4% from our net assets of approximately RMB132.5 million as at 31 December 2016. Such decrease was mainly due to the combined effect of (i) net profit for the year ended 31 December 2017; (ii) decrease in other reserve of approximately RMB10.6 million primarily arising from (a) the consideration payable for the acquisition of the entire equity interests of Dongri Automobile by our Group from our Controlling Shareholder; and (b) deemed equity reduction by our Controlling Shareholder including expenditure on additions of property, plant and equipment of Zhongshan New Century and Dongri Automobile, and payments for the acquisitions of equity interest of New Century Car Rental by Zhongshan New Century and Dongri Automobile, which was partially net off by the deemed equity contribution by our Controlling Shareholder including contribution of cash generated from rental income of Zhongshan New Century and Dongri Automobile; and (iii) dividend declared of approximately RMB47.6 million in 2017.

As at 31 December 2018, we had net current assets of approximately RMB40.3 million, representing an increase of approximately RMB33.7 million or 517.7% as compared to the balance as at 31 December 2017. Such increase was primarily due to: (i) an increase in inventories of approximately RMB71.7 million mainly attributable to purchase of new vehicles; (ii) a decrease in the amount due to a director of approximately RMB33.0 million; (iii) an increase in prepayments, other receivables and other assets of approximately RMB22.6 million mainly attributable to prepayment of purchase of new vehicles; and (iv) a decrease in trade and bills payables of approximately RMB34.3 million as a result of our settlement of amounts due to our automobile

SUMMARY

manufacturers for our purchase of inventories. This was partially offset by: (i) an increase in interest bearing bank borrowings of approximately RMB64.0 million; (ii) a decrease in cash and cash equivalents of approximately RMB21.1 million; (iii) a decrease in pledged deposits of approximately RMB19.7 million; and (iv) an increase in contract liabilities of approximately RMB28.5 million.

As at 31 December 2018, we had net assets of approximately RMB110.9 million, representing an increase of approximately RMB2.7 million, or 2.5% as compared with our net assets as at 31 December 2017. Such increase was mainly due to the combined effect of (i) net profit for the year ended 31 December 2018; (ii) decrease in other reserve of approximately RMB9.5 million primarily arising from (a) the payment of consideration of the acquisition of entire equity interests of Chuangxian Automobile by our Group from our Controlling Shareholder; and (b) deemed equity contribution by our Controlling Shareholder including cash generated from rental income of Zhongshan New Century and Dongri Automobile and gain on disposal of land use right of Zhongshan New Century, which was partially net off by the deemed equity reduction by our Controlling Shareholder including expenditure paid by our Group on additions of property, plant and equipment of Zhongshan New Century and Dongri Automobile; and (iii) dividend declared of approximately RMB24.2 million in 2018.

As at 30 April 2019, we had net current assets of approximately RMB115.1 million, representing an increase of approximately RMB74.9 million or 185.9% as compared to the balance as at 31 December 2018. Such increase was primarily due to: (i) a decrease in the amount due to a director of approximately RMB128.8 million; and (ii) a decrease in the trade and bills payable of approximately RMB41.8 million as a result of our settlement of amounts due to our suppliers for our purchase of inventories. This was partially offset by (i) a decrease in pledged deposit of approximately RMB48.0 million due to the decrease in use of bills in settling our purchases of new vehicles, spare parts and accessories from our automobile manufacturers; and (ii) a decrease in the cash and cash equivalents of approximately RMB34.9 million.

As at 30 April 2019, we had net assets of approximately RMB71.8 million, representing a decrease of approximately RMB39.1 million, or 35.3% as compared with our net assets as at 31 December 2018. Such decrease was mainly due to the combined effect of (i) net profit for the period ended 30 April 2019, (ii) decrease in other reserve of approximately RMB32.8 million primarily arising from (a) the payment of consideration of acquisitions of various PRC subsidiaries (Century Sale Services, New Century Toyota, Jucheng Automobile, Chuangri Automobile, Chengnan Automobile, Chuangtong Automobile and Chuangzhi Automobile) by our Group from our Controlling Shareholder under the Reorganisation; and (b) deemed equity contribution by our Controlling Shareholder including cash generated from rental income of Zhongshan New Century and Dongri Automobile; and partially net off by the deemed equity reduction by our Controlling Shareholder including expenditure paid by our Group on additions of property, plant and equipment of Dongri Automobile; and (iii) dividend declared of approximately RMB9.1 million in 2019.

For details of movements of our net current assets, please refer to the section headed “Financial Information — Net Current Assets” in this prospectus.

SUMMARY

The following table sets forth our average inventory turnover days and our average inventory turnover days for motor vehicles during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2016	2017	2018	2019
Average inventory turnover days	45	36	43	57
Average inventory turnover days for motor vehicles	48	38	45	63

Notes:

- (1) Average inventory turnover days for a year is equal to the average of the beginning and ending inventory balances of that year divided by cost of sales for that year and multiplied by 365 days for a year. Average inventory turnover days for the four months ended 30 April 2019 is equal to the average of the beginning and ending inventory balances of that period divided by cost of sales for that period and multiplied by 120 days for the four months ended 30 April 2019.
- (2) Average inventory turnover days for motor vehicles for a year is equal to the average of the beginning and ending inventory balances of motor vehicles of that year divided by cost of motor vehicles for that year and multiplied by 365 days for a year. Average inventory turnover days for the four months ended 30 April 2019 is equal to the average of the beginning and ending inventory balances of motor vehicles of that period divided by cost of motor vehicles for that period and multiplied by 120 days for the four months ended 30 April 2019.

For further details and analysis of our inventories, please refer to the section headed “Financial Information — Net Current Assets” in this prospectus.

Summary of Consolidated Statements of Cash Flows

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

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movement in working capital	45,087	63,740	74,858	16,404	23,271
Net cash flows from/ (used in) operating activities	97,830	(22,531)	(8,702)	(21,319)	37,392
Net cash flows used in investing activities	(13,612)	(1,716)	(21,812)	(5,628)	(10,618)
Net cash flows from/ (used in) financing activities	(34,575)	8,242	9,443	(19,976)	(61,639)

SUMMARY

Our net cash used in operating activities for the year ended 31 December 2017 as mainly resulted from movements in working capital raising from: (i) the decrease in inventories, vehicles in particular, of approximately RMB6.4 million; (ii) the increase in prepayments, other receivables and other assets of approximately RMB19.7 million; (iii) increase in pledged deposits of approximately RMB3.2 million; and (iv) the decrease in trade and bills payables of approximately RMB55.5 million.

Our net cash used in operating activities for the year ended 31 December 2018 as mainly resulted from movements in working capital raising from: (i) the increase in inventories of approximately RMB72.2 million; (ii) the increase in prepayments, other receivables and other assets of approximately RMB22.1 million; (iii) the decrease in trade and bills payables of approximately RMB34.3 million; and (iv) partially offset by the decrease of pledge deposits of approximately RMB19.7 million and increase in contract liabilities of approximately RMB28.5 million.

In order to improve our net cash used in operating activities, we have adopted a cash flow management policy, pursuant to which (i) our finance department shall prepare annual cash flow forecast and its explanatory notes and the forecast will be approved by our Board; (ii) our finance department shall prepare monthly cash flow forecast to monitor our cash positions of our operations and our finance department shall formulate financing plans should there be any expected cash deficiency; and (iii) our finance department shall carry out analysis on the cash position of our Group monthly when formulating monthly cash flow forecast to better monitor our cash position and deal with the cash flow management issues. It is expected that our cash flow management in operating activities would be strengthened.

For details, please refer to the section headed “Financial Information — Liquidity and Capital Resources” in this prospectus.

REVENUE

Sales of motor vehicles

During the Track Record Period, we derived 85.7%, 85.8%, 85.5% and 85.8% of our revenue, respectively from the sales of motor vehicles. During the Track Record Period, the sales of new vehicles constituted 99.5%, 99.3%, 98.9% and 99.2% of our revenue, respectively from the sales of motor vehicles.

SUMMARY

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue was approximately RMB1,834.7 million, RMB1,904.9 million, RMB1,940.3 million and RMB568.3 million, respectively and our gross profit was approximately RMB122.4 million, RMB145.4 million, RMB174.4 million and RMB54.3 million, respectively. The table below sets forth a breakdown of our revenue by service for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	1,573,106	85.7	1,635,342	85.8	1,658,936	85.5	444,848	83.7	487,702	85.8
Other integrated auto services										
Repair services ^(Note 1)	146,895	8.0	152,477	8.0	172,388	8.9	57,611	10.9	62,292	11.0
Sales of accessories	72,429	4.0	68,813	3.6	71,019	3.7	16,705	3.1	12,142	2.1
Insurance agency services	30,002	1.6	37,019	2.0	27,755	1.4	9,128	1.7	3,605	0.6
Others ^(Note 2)	12,269	0.7	11,268	0.6	10,213	0.5	3,008	0.6	2,588	0.5
Subtotal	<u>261,595</u>	<u>14.3</u>	<u>269,577</u>	<u>14.2</u>	<u>281,375</u>	<u>14.5</u>	<u>86,452</u>	<u>16.3</u>	<u>80,627</u>	<u>14.2</u>
Total	<u>1,834,701</u>	<u>100.0</u>	<u>1,904,919</u>	<u>100.0</u>	<u>1,940,311</u>	<u>100.0</u>	<u>531,300</u>	<u>100.0</u>	<u>568,329</u>	<u>100.0</u>

Notes:

1. Repair services include repair and maintenance services, sales of spare parts, car care services and used vehicle warranty services.
2. During the Track Record Period, others represented vehicle licensing services and registration of title transfer of used vehicles.

SUMMARY

The following table sets forth a breakdown of the sales volume and our revenue from sales of new vehicles by brand during the Track Record Period:

Brand	For the year ended 31 December											
	2016				2017				2018			
	Sales volume (unit)	ASP (Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)	Sales volume (unit)	ASP (Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)	Sales volume (unit)	ASP (Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)
Dongfeng Nissan	6,313	96	605,805	38.7	7,422	97	723,447	44.6	8,484	96	812,561	49.5
FAW Toyota	2,094	107	223,495	14.3	2,127	108	230,104	14.2	1,972	112	219,975	13.4
Beijing Hyundai	2,530	103	259,985	16.6	1,851	95	176,681	10.9	2,113	85	178,770	10.9
FAW Volkswagen	1,188	114	135,497	8.7	1,186	111	131,377	8.1	1,177	111	131,017	8.0
Dongfeng Venucia	1,313	73	96,054	6.1	1,372	84	115,918	7.1	1,510	79	118,770	7.2
Chevrolet	904	90	81,806	5.2	1,042	99	103,291	6.3	780	96	74,740	4.6
Buick	1,115	112	125,073	8.0	956	114	109,037	6.7	908	110	100,108	6.1
Domestic Brand and others (Note 1)	909	41	37,127	2.4	715	47	33,626	2.1	93	59	5,503	0.3
	16,366	96	1,564,842	100.0	16,671	97	1,623,481	100.0	17,037	96	1,641,444	100.0

SUMMARY

Brand	For the four months ended 30 April					
	2018			2019		
	Sales volume (unit)	ASP (Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)
Dongfeng Nissan	2,018	99	199,282	45.3	2,495	50.7
FAW Toyota	679	103	69,689	15.9	626	13.7
Beijing Hyundai	492	93	45,869	10.4	709	12.3
FAW Volkswagen	246	116	28,563	6.5	354	8.5
Dongfeng Venucia	436	87	37,899	8.6	450	6.9
Chevrolet	254	99	25,229	5.7	196	3.5
Buick	285	111	31,511	7.2	185	4.4
Domestic Brand and others (Note 1)	39	49	1,910	0.4	0	0
	4,449	99	439,952	100.0	5,015	100.0
					483,663	

Notes:

- During the Track Record Period, we operated a Domestic Brand 4S dealership outlet until the dealership was terminated in July 2017. Following the shift of our business focus to mid-to-high end sino-foreign and international brands, the Domestic Brand dealership was terminated. In addition, we sold a small number of commercial vehicles under the Domestic Brand and a sino-Japanese brand during the Track Record Period.
- The average selling price of vehicles under a particular brand is calculated on the basis of revenue attributable to vehicles under that brand divided by sale volume of vehicles under that brand.

SUMMARY

For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operation — Revenue” in this prospectus.

Our revenue from the sales of motor vehicles increased by approximately RMB62.2 million, or 4.0% to approximately RMB1,635.3 million for the year ended 31 December 2017, which was mainly due to the increase of sales of new vehicles of approximately RMB58.7 million. The increase in revenue generated from sales of new vehicles was mainly driven by the increase in (i) the sales volume of approximately 1.9%, or 305 units; and (ii) the average ASP of approximately 1.0%. This in turn was due to the combined effect of (i) the increase in sales of Dongfeng Nissan, Chevrolet and Dongfeng Venucia of approximately RMB117.6 million, RMB21.5 million and RMB19.8 million, respectively; and (ii) the decrease in sales of Beijing Hyundai of approximately RMB83.3 million.

Our revenue from the sales of motor vehicles increased by approximately RMB23.6 million, or approximately 1.4% to approximately RMB1,658.9 million for the year ended 31 December 2018, which was mainly due to the increase of (i) sales of new vehicles of approximately RMB17.9 million; and (ii) sales of used vehicles of approximately RMB5.6 million. The increase in revenue generated from sales of new vehicles was mainly driven by (i) the increase in sales volume of approximately 2.2%, or 366 units, and (ii) partially offset by the decrease in ASP of approximately 1.0%. This in turn was due to the combined effect of (i) the increase in sales of Dongfeng Nissan of approximately RMB89.1 million; and (ii) the decrease in sales of Chevrolet, Domestic Brand and FAW Toyota, of approximately RMB28.6 million, RMB28.1 million and RMB10.1 million, respectively.

Our revenue from the sales of motor vehicles increased by approximately RMB42.9 million, or approximately 9.6%, to approximately RMB487.7 million for the four months ended 30 April 2019, which was mainly due to (i) the increase of sales of new vehicles of approximately RMB43.7 million; and (ii) partially offset by the decrease of sales of used vehicles of approximately RMB0.9 million. This in turn was due to the combined effect of (i) the increase in sales of Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen of approximately RMB45.9 million, RMB13.7 million and RMB12.5 million, respectively; and (ii) the decrease in sales of Buick of approximately RMB10.1 million.

Other integrated auto services

Our revenue from other integrated auto services increased by approximately RMB8.0 million, or 3.1%, to approximately RMB269.6 million for the year ended 31 December 2017. Such increase was attributable to an increase in revenue from repair services and insurance agency services and was partially offset by a decrease in revenue from sales of accessories. For the year ended 31 December 2017, repair services benefited from growing customer base associated with our dealerships which was in line with the growth in sales of motor vehicles, and the increase in insurance agency services was mainly due to the increase in sales of new vehicles. The decrease in revenue of sales of accessories for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly due to the competition from accessories stores. Our revenue from other integrated auto services increased by approximately RMB11.8 million, or 4.4%, to approximately RMB281.4 million for the year ended 31 December 2018. Such increase was attributable to an increase in revenue from repair services and was partially offset by a decrease in revenue from insurance agency services. For the year ended 31 December 2018, repair services benefited from growing customer base associated with our dealerships which was in line with the growth in sales of vehicles and the decrease in insurance agency services was mainly due to the decrease in the commission rate of agency services of the commercial vehicle insurance during the year ended 31 December 2018. For the four months ended 30 April 2019, our revenue from other integrated auto services decreased by approximately RMB5.9 million, or 6.7%, to approximately RMB80.6 million for the four months ended 30 April 2019. Such

SUMMARY

decrease was attributable to a decrease in revenue from sales of accessories and insurance agency services and partly offset by an increase in revenue from repair services. The decrease in revenue from sales of accessories was mainly due to decrease in sales of accessories with higher unit price and the decrease in revenue from insurance agency services was mainly due to the decrease in the commission rate and the sum insured of agency services of the commercial vehicle insurance. The increase in revenue from repair services was mainly due to more accident repair services recorded which usually has a higher price per transaction as compared with the routine repair and maintenance services.

PROFIT AND PROFIT MARGIN

The following table sets forth a breakdown of our gross profit and gross profit margin by category for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016	2017		2018			2018	2019		
	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %
Sales of motor vehicles	16,442	1.0	33,591	2.1	60,621	3.7	13,183	3.0	32,480	6.7
Other integrated auto services										
Repair services	24,816	16.9	29,539	19.4	35,052	20.3	10,925	19.0	11,264	18.1
Sales of accessories	40,084	55.3	36,435	52.9	42,878	60.4	8,909	53.3	5,129	42.2
Insurance agency services	30,002	100.0	37,019	100.0	27,755	100.0	9,128	100.0	3,290	91.3
Others	11,021	89.8	8,838	78.4	8,072	79.0	2,349	78.1	2,149	83.0
Total	<u>122,365</u>	<u>6.7</u>	<u>145,422</u>	<u>7.6</u>	<u>174,378</u>	<u>9.0</u>	<u>44,494</u>	<u>8.4</u>	<u>54,312</u>	<u>9.6</u>

The following table sets forth a breakdown of our gross profit and gross profit margin in relation to sales of new vehicles by brand for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016	2017		2018			2018	2019		
	Gross profit margin ² RMB'000	Gross profit margin ² %	Gross profit margin ² RMB'000	Gross profit margin ² %	Gross profit margin ² RMB'000	Gross profit margin ² %	Gross profit margin ² RMB'000	Gross profit margin ² %	Gross profit margin ² RMB'000	Gross profit margin ² %
Dongfeng Nissan	(5,785)	(1.0)	4,065	0.6	33,700	4.1	4,370	2.2	13,223	5.4
FAW Toyota	(7,738)	(3.5)	(1,149)	(0.5)	9,712	4.4	3,796	5.4	4,864	7.3
Beijing Hyundai	9,733	3.7	10,575	6.0	4,459	2.5	954	2.1	4,687	7.9
FAW Volkswagen	8,901	6.6	10,407	7.9	1,550	1.2	4,049	14.2	5,938	14.5
Dongfeng Venucia	7,193	7.5	7,491	6.5	6,408	5.4	362	1.0	1,378	4.2
Chevrolet	2,270	2.8	4,689	4.5	4,322	5.8	(1,277)	(5.1)	852	5.0
Buick	969	0.8	(3,117)	(2.9)	(3,154)	(3.2)	112	0.4	1,124	5.3
Domestic Brand and others ¹	<u>20</u>	<u>0.1</u>	<u>(726)</u>	<u>(2.2)</u>	<u>971</u>	<u>17.6</u>	<u>150</u>	<u>7.9</u>	<u>Nil</u>	<u>Nil</u>
Total	<u>15,563</u>	<u>1.0</u>	<u>32,235</u>	<u>2.0</u>	<u>57,968</u>	<u>3.5</u>	<u>12,516</u>	<u>2.8</u>	<u>32,066</u>	<u>6.6</u>

SUMMARY

Note:

1. During the Track Record Period, we sold a small number of commercial vehicles including commercial vehicles under the Domestic Brand and a sino-Japanese brand.
2. During the Track Record Period, our Group recorded negative gross profit margins from the sales of certain brands of new vehicles, which was mainly resulted from the relatively lower incentive rebate received and the lowering of selling price in order to reduce inventory of certain models whose market acceptance was relatively unsatisfactory or which new or upgraded models had been introduced.

For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operation — Gross profit and gross profit margin” in this prospectus.

Our overall gross profit increased by approximately RMB23.0 million, or 18.8%, to approximately RMB145.4 million for the year ended 31 December 2017. Our gross profit margin increased from approximately 6.7% for the year ended 31 December 2016 to approximately 7.6% for the year ended 31 December 2017, which was mainly due to the increase in gross profit from both sales of motor vehicles and other integrated auto services, in particular, the repair services and insurance agency services, which generally had a higher gross profit margin compared to the sales of motor vehicles. In relation to the sales of motor vehicles, our gross profit margin increased from approximately 1.0% for the year ended 31 December 2016 to approximately 2.1% for the year ended 31 December 2017 primarily due to an increase in incentive rebates granted by certain automobile manufacturers.

Our overall gross profit increased by approximately RMB29.0 million, or 19.9%, to approximately RMB174.4 million for the year ended 31 December 2018. Our gross profit margin increased from approximately 7.6% for the year ended 31 December 2017 to approximately 9.0% for the year ended 31 December 2018, which was mainly due to increase in gross profit from sales of motor vehicles, which was partially offset by the slightly decreased gross profit margin from provision for other integrated auto services. In relation to the sales of motor vehicles, our gross profit margin increased from approximately 2.1% for the year ended 31 December 2017 to approximately 3.7% for the year ended 31 December 2018, which was mainly due to increased gross profit contribution from Dongfeng Nissan.

Our overall gross profit increased by approximately RMB9.8 million, or 22.0%, to approximately RMB54.3 million for the four months ended 30 April 2019. Our gross profit margin increased from approximately 8.4% for the four months ended 30 April 2018 to approximately 9.6% for the four months ended 30 April 2019, which was mainly due to increase in gross profit from sales of motor vehicles, which was partly offset by the decrease in the gross profit from other integrated auto services. In relation to the sales of motor vehicles, our gross profit margin increased from approximately 3.0% for the four months ended 30 April 2018 to approximately 6.7% for the four months ended 30 April 2019, which was mainly due to the increase of incentive rebate, which reduced the costs of motor vehicles.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our net profit margin was 0.8%, 1.6%, 1.8% and 1.0%, respectively, and our net profit/(loss) margin excluding the incentive rebates from our automobile manufacturers was -9.4%, -11.0%, -15.8% and -23.5%, respectively.

SUMMARY

Summary of Key Financial Ratios

Our key financial ratios are set out below:

	As at/for the years ended 31 December			As at 30 April
	2016	2017	2018	2019
Current ratio (times)	1.0	1.0	1.1	1.3
Gearing ratio <i>(Note)</i>	148.5%	242.9%	300.3%	459.0%
Gross profit margin	6.7%	7.6%	9.0%	9.6%
Asset liability ratio	30.8%	42.5%	47.9%	52.6%
Return on total assets	2.3%	5.0%	5.0%	N/A
Return on total equity	11.1%	28.4%	31.1%	N/A

Note: Gearing ratio is calculated by dividing the total debt, including interest-bearing bank borrowings and other borrowings and amount due to shareholder by total equity as at the end of the respective year/period.

The increase in our gearing ratio as at 31 December 2017 compared to 31 December 2016 was primarily due to: (i) an increase in amount due to a director from approximately RMB121.8 million as at 31 December 2016 to approximately RMB192.8 million as at 31 December 2017, as a result of advances from Mr. Law to meet our general working capital requirements; and (ii) a decrease in total equity from approximately RMB132.5 million as at 31 December 2016 to approximately RMB108.2 million as at 31 December 2017 as a result of dividend declared of approximately RMB47.6 million. The increase in our gearing ratio as at 31 December 2018 compared to 31 December 2017 was mainly due to increase in interest-bearing bank borrowings amount of approximately RMB103.2 million. The increase in our gearing ratio as at 30 April 2019 compared to 31 December 2018 was mainly due to (i) the decrease in total equity from approximately RMB110.9 million as at 31 December 2018 to approximately RMB71.8 million as at 30 April 2019 and; (ii) partially net off by the decrease in total debt of approximately RMB3.6 million.

Please refer to the section headed “Financial Information — Key Financial Ratios” in this prospectus for the calculation and analysis of other key financial ratios.

Non-IFRS Measures

In order to supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use non-IFRS Measures, including adjusted profit for the year/period, adjusted cash and cash equivalents at end of the year/period, and adjusted gearing ratio, as additional financial measures. However, our presentation of the adjusted profit for the year/period, adjusted cash and cash equivalents at end of the year/period, and adjusted gearing ratio may not be comparable to similarly titled measures presented by other companies. The use of these measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

SUMMARY

The Notional Rent, Notional Interest Expense and notional interest income that our Group would incur had our Group obtained independent financing and paid fair market rent during the Track Record Period and the corresponding impact on our net profit, cash and cash equivalents and the gearing ratio are set out as follows:

	For the year ended/as at 31 December			For the four months ended/as at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-IFRS measures				
Adjustment items				
Notional Interest Expenses	(2,320)	(2,467)	(2,775)	(445)
Notional interest income on cash and cash equivalent	(110)	(141)	(99)	(38)
Notional Rent	(4,705)	(4,467)	(4,375)	(376)
Income tax impact of the above items	1,784	1,769	1,812	215
Impact on net profit				
Profit for the year/period	14,766	30,679	34,438	5,844
Adjusted profit for the year/period ^(Note)	9,415	25,373	29,001	5,199
% change	-36.2%	-17.3%	-15.8%	-11.0%
Impact on cash flow				
Cash and cash equivalents at end of the year/period	87,123	71,118	50,047	15,182
Adjusted cash and cash equivalents at end of the year/period ^(Note)	81,772	65,812	44,610	14,537
% change	-6.1%	-7.5%	-10.9%	-4.2%
Impact on gearing ratio				
Gearing Ratio	148.5%	242.9%	300.3%	459.0%
Adjusted Gearing Ratio ^(Note)	154.8%	255.5%	315.8%	463.2%

Note: Adjusted profit for the year/period is derived by excluding Notional Interest Expenses, notional interest income on cash and cash equivalent and notional rent, and adding back the income tax impact of the above items for the year/period. Adjusted cash and cash equivalents at end of the year/period is derived by excluding the cash flow impact of the Notional Interest Expenses, notional interest income on cash and cash equivalent and notional rent, and adding back the income tax impact of the above items at end of the year/period. Adjusted gearing ratio is derived by dividing the total debt by the adjusted total equity (excluding the impact of the Notional Interest Expenses, notional interest income on cash and cash equivalent and notional rent, and adding back the income tax impact of the above items) as at the end of the respective year/period. These terms of adjusted profit for the year/period, adjusted cash and cash equivalents at end of the year/period, and adjusted gearing ratio are not defined under IFRS.

SUMMARY

Please refer to the section headed “Financial Information — Non-IFRS Measures” in this prospectus for further details of the assumptions and basis of the calculation and analysis.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), Chong Kit will hold 75.0% of the enlarged issued share capital of our Company. Chong Kit is held as to 100.0% by Mr. Law, and thus Mr. Law and Chong Kit will continue to be our Controlling Shareholders upon Listing. Our Directors, including our independent non-executive Directors, confirm that, as at the Latest Practicable Date, none of our Controlling Shareholders or any of their respective close associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business. For details of our Controlling Shareholders’ background, please refer to the sections headed “Relationship with our Controlling Shareholders” and “Directors and Senior Management” in this prospectus.

MAJOR RISK FACTORS

There are certain risks involved in our operation and in connection with Listing. Many of the risks are beyond our control and they can be categorised as: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Global Offering and the Shares; and (v) risks relating to this prospectus. Among these risks, the ones which we believe could be relatively material are set out below:

- Our business and operations depend significantly on our authorised dealership agreements with our automobile manufacturers and the loss of any such agreement would affect our operations and financial results;
- A significant portion of our revenue is derived from the sales of motor vehicles of a few major brands and any weakening of such brands or our relationships with such brands could affect our operations and financial results;
- Our business may be adversely affected by political and macro-economic events; and
- Automobile manufacturers impose restrictions on many different aspects of our business and operations and we rely on their support and cooperation for the successful operation of our business.

The risks set out above are not the only significant risks which may affect our business and results of operation. As investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should read the entire section headed “Risk Factors” in this prospectus.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCES

We are not a party to, and we are not aware of any threat of any legal, arbitral or administrative proceedings, which, in the opinion of our management, is likely to have a material adverse effect on our business, financial conditions or results of operations. During the Track Record Period and up to the Latest Practicable Date, (i) some of our owned or leased properties lack the building ownership certificate and/or the land use right certificate; (ii) we did not register and/or

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provide sufficient social insurance contributions for our PRC employees; and (iii) we did not register within the statutory time limit and/or provide sufficient housing provident fund contributions for our PRC employees. Our Directors are of the view that the non-compliance incidents would not have any material adverse impact on our business operation. For details, please refer to the paragraph headed “Properties” and the paragraph headed “Legal Proceedings and Regulatory Compliance” in the section headed “Business” in this prospectus. Our PRC Legal Advisers have advised us that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we had complied with applicable PRC laws and regulation in all material respects, and that we have obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations in the PRC.

GLOBAL OFFERING STATISTICS

	Based on minimum indicative Offer Price of HK\$1.01 per Share	Based on maximum indicative Offer Price of HK\$1.23 per Shares
Market capitalisation of our Shares <i>(Note 1)</i>	HK\$505 million	HK\$615 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share <i>(Note 2)</i>	HK\$0.34	HK\$0.40

Notes:

1. The calculation of market capitalisation is based on the assumptions that: (i) 500 million Shares are expected to be in issue at the Offer Price immediately upon completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which will be issued pursuant to the exercise of the Over-allotment Option or the granting of Share Options under the Share Option Scheme; and (ii) there will be 500 million outstanding Shares in issue following the completion of the Capitalisation Issue and the Global Offering; and
2. The unaudited pro forma adjusted consolidated net tangible asset value per Share as of 30 April 2019 are calculated after adjustments referred to in Appendix II to this prospectus.

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation. Aggregate dividends of RMB47.6 million, RMB24.2 million and RMB9.1 million respectively have been declared by certain subsidiaries our Group for each of the two years ended 31 December 2018 and the four months ended 30 April 2019. We have fully settled the dividend payment primarily with our operating cashflows. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. We do not have any pre-determined dividend payout ratio. The declaration, payment, and amount of dividends will be subject to our discretion and the availability of dividends received from our subsidiaries in the PRC. For details, please refer to the paragraph headed “Financial Information — Dividend” in this prospectus.

LISTING EXPENSES

We incurred approximately RMB15.9 million (equivalent to approximately HK\$17.5 million) of listing expenses during the Track Record Period, among which RMB3.5 million (equivalent to approximately HK\$3.9 million) was recorded as equity and RMB12.4 million (equivalent to approximately HK\$13.6 million) was recorded as expense. We expect to incur approximately an

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additional RMB13.6 million (equivalent to approximately HK\$15.0 million) listing expenses after the Track Record Period, of which approximately RMB6.3 million (equivalent to approximately HK\$7.0 million) will be recognised as expenses in the consolidated statements of comprehensive income for eight months ending 31 December 2019 and the remaining of approximately RMB7.3 million (equivalent to approximately HK\$8.0 million) will be capitalised. The recognition of the listing expense is expected to affect our financial results for the year ending 31 December 2019. The estimated listing-related expenses of our Group are subjected to adjustment based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing. See section headed “Financial Information — Listing expenses” for further details.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

Our Jaguar and Land Rover 4S dealership outlet commenced operation in the second quarter of 2019 and the number of 4S dealership outlets increased to 14.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that there were no material changes to our business model, revenue structure and cost structure. For the year ended 31 December 2018, our revenue increased as compared to the year ended 31 December 2017, primarily due to the increase in sales of new vehicles. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2019 is expected to be adversely affected by the listing expenses incurred by our Group, the nature of which is non-recurring.

According to the ACMR Report, during the trade war between the PRC and the United States in 2018, the import tariff rate of the PRC against the United States increased, including the motor vehicles and spare parts manufactured in the United States, while the export tariff rate of the United States against the PRC also increased, including the motor vehicles and spare parts manufactured in China. As the China-United States trade war further escalated, as at the Latest Practicable Date, the additional US export tariff rate was (i) increased to 25% on certain motor vehicles and spare parts; and (ii) increased to 10% on certain motor vehicles effective from September 2019 and December 2019, while the PRC has also increased the additional import tariff rate to 5%, 10% or 25% on relevant motor vehicles and spare parts. In late August 2019, the PRC further increased the additional import tariff of (i) certain spare parts to 5% effect from September 2019; and (ii) certain motor vehicles and spare parts to 5% to 35% effect from December 2019, and meanwhile, the United States further increased the addition US export tariff of (i) certain motor vehicles and spare parts to 30% effect from October 2019; and (ii) certain motor vehicles to 15% effect from September 2019 and December 2019.

During the Track Record Period and up to the Latest Practicable Date, we operated our 4S dealership business in the PRC and our purchases and sales were solely made within the PRC. As advised by our PRC Legal Advisers, given that we were not the importer or the exporter of our inventories and our merchandise, we were not subject to any import or export tariff of the PRC, including the additional import tariff of the PRC. As we have not and do not expect to import or export any inventory or merchandise directly from or to other countries, including the United States, we are not subject to any other countries’ import and export tariff, including the US export tariff and the additional US export tariff.

Further, our Directors believe that the indirect impact of the China-United States trade war to our Group will not be material given that: (i) the gross profit contribution from the sales of new vehicles which were sino-U.S. brands were relatively insignificant to our Group during the Track

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Record Period, of approximately 5.8%; and (ii) to the best of our Directors' knowledge, the new vehicles we purchase from Chevrolet and Buick (where each is a sino-United States brand) are manufactured in the PRC and not imported from the United States, in the event that their cost of manufacturing increases due to the additional tariff and such additional costs may cause an increase in our cost of purchases relating to these brands, we will adjust our procurement and sales strategies accordingly to minimise the cost impact on our Group.

Our Board shall, after considering the (i) the historical sales volume and revenue; (ii) the forecasted sales volume and revenue; (iii) the incentive policies offered by the automobile manufacturers, adopt strategies such as (i) increasing the selling price of the vehicles and spare parts to partially pass on the increase in cost of sales; (ii) reducing the overall cost of sales by gaining additional incentive rebates by fulfilment of higher-tier targets set by the incentive policies of the automobile manufacturers; or (iii) a combination of both strategies. Based on the aforesaid, our Directors consider that the China-United States trade war will not have any material adverse impact on our operational and financial position.

Our Directors have confirmed that, save as disclosed above and up to the date of the Prospectus, there had been no material adverse change in our financial position or prospects since 30 April 2019 and there had been no event since 30 April 2019 which would otherwise materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Accountants’ Report”	the accountants’ report prepared by the Reporting Accountants set out in Appendix I to this prospectus
“ACMR”	All China Marketing Research Co., Ltd. (北京華通人商用信息有限公司), an independent Chinese market research company
“ACMR Report”	an industry report on the PRC automobile industry issued by ACMR and commissioned by us
“Application Forms(s)”	WHITE Application Form(s) and YELLOW Application form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 16 September 2019 and effective on the Listing Date, a summary of which is contained in Appendix III, and as amended or supplemented from time to time
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board of Directors” or “Board”	the board of Directors
“business day”	any day (excluding a Saturday, or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“Capitalisation Issue”	the issue of 374,992,500 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information — Further Information about our Company — Written resolutions of our sole Shareholder passed on 16 September 2019 and 23 September 2019” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS at a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Centenary Development”	Centenary Development Limited (創世紀拓展有限公司), a limited liability company incorporated under the laws of Hong Kong on 19 November 2018, which is wholly-owned by Chong Wai
“Century Cadillac”	Zhongshan Century Cadillac Automobile Co., Ltd.* (中山市世紀凱迪汽車有限公司), a limited liability company established in the PRC on 17 April 2018 and owned as to 80% by Chong Kit Management and as to 20% by Mr. Zhao Yongqiang (趙永強), an Independent Third Party
“Century Jaguar”	Zhongshan Century Jaguar Automobile Co., Ltd.* (中山市世紀捷虎汽車有限公司) (formerly known as Zhongshan Chuangchen Automobile Co., Limited* (中山市創辰汽車有限公司)), a limited liability company established in the PRC on 1 February 2016 and a wholly-owned subsidiary of our Company
“Century Sale Services”	Zhongshan New Century Automobile Sales and Services Co., Ltd.* (中山市創世紀汽車銷售服務有限公司), a limited liability company established in the PRC on 11 January 2019 and a wholly-owned subsidiary of our Company
“Chengnan Automobile”	Zhongshan New Century Chengnan Automobile Co., Ltd.* (中山市創世紀城南汽車有限公司), a limited liability company established in the PRC on 9 December 2010 and a wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Chong Kit”	Chong Kit Limited (崇杰有限公司), a limited liability company incorporated under the laws of the BVI on 19 September 2018, which is wholly owned by Mr. Law and is our Controlling Shareholder
“Chong Kit Management”	Zhongshan Chongjie Enterprise Management Consulting Limited* (中山市崇杰企業管理諮詢有限公司), a wholly foreign-owned enterprise with limited liability established under the PRC laws on 11 January 2019, a wholly-owned subsidiary of our Company

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“Chong Wai”	Chong Wai Limited (崇威有限公司), a limited liability company incorporated under the laws of the BVI on 2 November 2018, a wholly owned subsidiary of our Company
“Chuangcheng Automobile”	Zhongshan Chuangcheng Automobile Co., Ltd.* (中山市創誠汽車有限公司), a limited liability company established in the PRC on 31 October 2011 and a wholly-owned subsidiary of our Company
“Chuangcheng Insurance”	Guangdong Chuangcheng Car Insurance Agency Co., Ltd.* (廣東創誠汽車保險代理有限公司), a limited liability company established in the PRC on 21 June 2016 and a wholly-owned subsidiary of our Company
“Chuangri Automobile”	Zhongshan Chuangri Automobile Co., Ltd.* (中山市創日汽車有限公司), a limited liability company established in the PRC on 11 September 2009 and a wholly-owned subsidiary of our Company
“Chuangtong Automobile”	Zhongshan Chuangtong Automobile Co., Ltd.* (中山市創通汽車有限公司), a limited liability company established in the PRC on 2 June 2011 and a wholly-owned subsidiary of our Company
“Chuangxian Automobile”	Zhongshan Chuangxian Automobile Sales and Services Co., Ltd.* (中山市創現汽車銷售服務有限公司), a limited liability company established in the PRC on 12 December 2003 and a wholly-owned subsidiary of our Company
“Chuangzhi Automobile”	Zhongshan Chuangzhi Automobile Co., Ltd.* (中山市創志汽車有限公司), a limited liability company established in the PRC on 31 October 2011 and a wholly-owned subsidiary of our Company
“Co-Lead Managers”	Livermore Holdings Limited and CNI Securities Group Limited
“Companies Law”	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Centenary United Holdings Limited (世紀聯合控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 4 October 2018
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the same meaning ascribed thereto under the Listing Rules

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“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Global Offering, being Mr. Law and Chong Kit, or any of them. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details
“core connected person”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	the deed of indemnity dated 23 September 2019 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), pursuant to which our Controlling Shareholders agree to provide with us certain indemnities, a summary of which is set out in the section headed “Statutory and General Information — E. Other Information — 2. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 23 September 2019 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)”	the director(s) of our Company
“Domestic Brand”	a brand owned or managed by a PRC automobile group which according to the website of that automobile group, is among Top 4 Chinese automobile groups and had vehicle use to exceeded RMB16 million by March 2018
“Dongri Automobile”	Zhongshan Dongri Automobile Co., Ltd.* (中山市東日汽車有限公司), a limited liability company established in the PRC on 12 November 2003 and wholly owned by Zhongshan New Century, which is the predecessor of Dongri Sale Services and a connected person of our Company
“Dongri Sale Services”	Zhongshan Dongri Automobile Sales and Services Co., Ltd.* (中山市東日汽車銷售服務有限公司), a limited liability company established in the PRC on 18 December 2018 and a wholly-owned subsidiary of our Company
“Dongyue Automobile”	Zhongshan Dongyue Automobile Co., Ltd.* (中山市東月汽車有限公司), a limited liability company established in the PRC on 6 July 2011 and a wholly-owned subsidiary of our Company

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“Driving School”	Zhongshan New Century Motor Driver Training Co., Ltd* (中山市創世紀機動車駕駛員培訓有限公司), a limited liability company established in the PRC on 19 August 2008
“EIT Law”	The National People’s Congress promulgated the Law of the People’s Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) on 16 March 2007 which became effective on 1 January 2008 and was amended on 24 February 2017, and the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax of the People’s Republic of China (中華人民共和國企業所得稅法實施條例) on 1 January 2008
“Excluded Group”	Zhongshan New Century, New Century Car Rental, Huichuang Financial Leasing and Dongri Automobile, which are wholly-owned by Mr. Law after Reorganisation and do not form part of our Group
“Fast Lane Services”	Zhongshan New Century Fast Lane Automobile Services Co., Ltd.* (中山市創世紀快車道汽車服務有限公司), a limited liability company established in the PRC on 22 January 2015 and a wholly-owned subsidiary of our Company
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Greater Bay Area”	an area covered by the Guangdong — Hong Kong — Macau Greater Bay Area Development as announced and issued by the NDRC, consisting of nine cities, namely Hong Kong, Macau, Guangzhou, Shenzhen, Zhuhai, Zhongshan, Huizhou, Jiangmen, Zhaoqing, Foshan and Dongguan
“GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company
“HKD” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

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“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“HK eIPO WHITE Form”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO WHITE Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the website at www.hkeipo.hk
“Hong Kong Offer Shares”	the 12,500,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offer (subject to reallocation, as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the issue and offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, and Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offer” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 September 2019 relating to the Hong Kong Public Offer entered into by, among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, Fortune (HK) Securities Limited, Mason Securities Limited, Shanxi Securities International Limited, Essence International Securities (Hong Kong) Limited, Livermore Holdings Limited, CNI Securities Group Limited and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Huichuang Financial Leasing”	Huichuang Financial Leasing (Zhuhai) Co., Ltd.* (匯創融資租賃(珠海)有限公司), a limited liability company established in the PRC on 5 July 2018 and wholly owned by Zhongshan New Century and a connected person of our Company
“Independent Third Party(ies)”	a person(s) or company(ies) who/which is or are independent of and not connected with our Company and our connected persons

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“International Placing”	the conditional placing of the International Placing Shares by the Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	112,500,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“International Underwriters”	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing expected to be entered into by, among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, Fortune (HK) Securities Limited, Mason Securities Limited, Shanxi Securities International Limited, Essence International Securities (Hong Kong) Limited, Livermore Holdings Limited, CNI Securities Group Limited and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	collectively, the Joint Global Coordinators and Essence International Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Joint Global Coordinators”	Fortune (HK) Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO; Mason Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; and Shanxi Securities International Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO
“Jucheng Automobile”	Zhongshan New Century Jucheng Automobile Co.,Ltd.* (中山市創世紀菊城汽車有限公司), a limited liability company established in the PRC on 31 August 2007 and a wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 September 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange

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“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealing of the Shares on the Main Board of the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to GEM of the Stock Exchange
“Memorandum”	the amended and restated memorandum of association of our Company adopted on 16 September 2019, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Mingcheng Automobile”	Zhongshan New Century Mingcheng Automobile Co., Ltd.* (中山市創世紀名城汽車有限公司), a limited liability company established in the PRC on 22 October 2014 and a wholly-owned subsidiary of our Company
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Law”	Mr. Law Hau Kit (羅厚杰), our Chairman, Chief Executive Officer and our Controlling Shareholder
“Mr. Lin”	Mr. Lin Tiaohao (林條浩), the brother-in-law of Mr. Law and a connected person of our Company
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Century Car Rental”	Zhongshan New Century Car Rental Co., Ltd.* (中山市創世紀汽車租賃有限公司), a limited liability company established in the PRC on 18 November 2014 and owned as to 70% by Zhongshan New Century and 30% by Dongri Automobile and a connected person of our Company
“New Century Second-hand Car”	Zhongshan New Century Second-hand Car Market Co., Ltd.* (中山市創世紀二手車交易市場有限公司), a limited liability company established in the PRC on 30 July 2018 and a wholly-owned subsidiary of our Company
“New Century Toyota”	Zhongshan New Century Toyota Automobile Sales and Services Co., Ltd.* (中山市創世紀豐田汽車銷售服務有限公司) (formerly known as Zhongshan New Milestone Automobile Co., Limited* (中山市新里程汽車有限公司)), a limited liability company established in the PRC on 4 July 2002 and a wholly-owned subsidiary of our Company

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“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0% a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%) of not more than HK\$1.23 and expected to be not less than HK\$1.01, such price to be agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters, pursuant to which our Company is required to allot and issue up to an aggregate of 18,750,000 Shares (representing in aggregate 15% of the Shares initially being offered under the Global Offering) at the Offer Price to cover over-allotment in the International Placing, details of which are described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“PRC Legal Advisers”	JunHe LLP, our PRC legal advisers
“Price Determination Date”	the date, expected to be on or around Friday, 11 October 2019 on which the Offer Price is determined
“Regulation S”	Regulation S under the Securities Act
“Reorganisation”	the reorganisation of entities comprising our Group for the purpose of Listing, details of which are set out in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus
“Reporting Accountants”	Ernst & Young, the reporting accountants of our Company
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Act” or “U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 16 September 2019, the principal terms of which are summarised in “Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor”	Fortune Financial Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) of the regulated activities under the SFO
“Stabilising Manager”	Fortune (HK) Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Chong Kit on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supplier X”	a branch company of an established sino-foreign automobile manufacturer which according to its website, is jointly held by a Beijing automobile manufacturer and a Korean automobile manufacturer and its revenue exceeded RMB800 billion
“Supplier Y”	a company within an established sino-Japanese automobile manufacturing group which according to its website, has an investment amount not less than US\$35 million and registered capital not less than US\$25 million
“Supplier Z”	a company which is an affiliate of an established sino-United States of America automobile manufacturing group which according to the website of that automobile manufacturing group, has around 20 types of products under three international brands and four production base in the PRC consisting of nine automobile factories, among other facilities
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemental or otherwise modified from time to time

DEFINITIONS

“Track Record Period”	the three years ended 31 December 2018 and the four months ended 30 April 2019
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“US\$” or “US dollars”	United States dollar(s), the lawful currency of the United States of America
“WHITE Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by members of the public who require such Offer Shares to be issued in an applicant’s own name
“YELLOW Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Zhongshan New Century”	Zhongshan New Century Pioneering Automobile Co., Limited* (中山市創世紀汽車有限公司), a limited liability company established in the PRC on 17 May 1999, which is owned as to 80% by Mr. Law and 20% by Mr. Lin, the predecessor of Century Sale Services and a connected person of our Company
“%”	per cents
“*”	for identification purpose only

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The name in Chinese language is the official name of each such company or entity, while that in English language is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail.

In this prospectus, unless expressly stated or the context requires otherwise:

- (1) all data in this prospectus is as at the date of this prospectus; and
- (2) percentage shareholding of our Company upon or after the completion of Global Offering and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or meaning or usage as used by others.

“3R Provisions”	PRC provisions on the Liability for Repair, Replacement and Return of Household Automotive Products* (家用汽車產品修理、更換、退貨責任規定) which were promulgated on 29 December 2012 and became effective on 1 October 2013
“4S dealership”	a dealership authorised by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, service and survey
“Three Warranties”	the repair, replacement and return of household automotive products to be guaranteed by the sellers of such automotive products in accordance with the 3R Provisions

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” sections in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the “Risk Factors” section in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our profit estimate and other prospective financial information; and
- the regulatory environment and industry outlook for the industries in which we operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in Hong Kong and the PRC relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong and the PRC;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the “Risk Factors” section in this prospectus.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision relating to the Shares. Our Group's business, financial condition and results of operations could be materially and adversely affected by, and the trading prices of the Shares could decline due to, any of these risks or any uncertainty that our Group is unaware of, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business and operations depend significantly on our authorised dealership agreements with our automobile manufacturers and the loss of any such agreement would affect our operations and financial results.

We rely on authorised dealership agreements with automobile manufacturers for the right to operate authorised dealership stores, the supply of motor vehicles and spare parts and other important aspects of our business and operations. These authorised dealership agreements are non-exclusive and generally have a term up to three years. Automobile manufacturers have the right to terminate our authorised dealership agreements for various reasons, including failure to comply with the terms set out in authorised dealership agreements and unauthorised changes to our ownership and management structure that would affect our ability to meet contractual obligations. For details of our dealership agreements, please refer to the section headed “Business — Key Terms of Our Dealership Agreements” in this prospectus. In addition, there is no assurance that we will be able to renew our authorised dealership agreements on commercially reasonable terms, or at all. Automobile manufacturers may choose not to renew our authorised dealership agreements or enter into new authorised dealership agreements with us for reasons unrelated to us, such as a change to their business strategies. If any of our automobile manufacturers were to terminate its business relationship with us, there can be no assurance that we would be able to secure authorised dealership agreements from other automobile manufacturers to replace any such loss or that, if we were to be able to secure other authorised dealership agreements, they would be on commercially reasonable terms. Any reduction in or termination of business dealings with automobile manufacturers would materially and adversely affect our business, financial condition, results of operation and growth prospects.

A significant portion of our revenue is derived from the sales of motor vehicles of a few major brands and any weakening of such brands or our relationships with such brands could affect our operations and financial results.

During the Track Record Period, a significant portion of our revenue is derived from the sales of passenger vehicles of a few major brands, primarily Dongfeng Nissan, Beijing Hyundai and FAW Toyota. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, sales of the Dongfeng Nissan passenger vehicles contributed to approximately 38.7%, 44.6%, 49.5% and 50.7%, respectively, of our revenue from sales of new vehicles, while sales of the FAW Toyota passenger vehicles contributed to approximately 14.3%, 14.2%, 13.4% and 13.7%, respectively, and sales of the Beijing Hyundai passenger vehicles contributed to approximately 16.6%, 10.9%, 10.9% and 12.3%, respectively, of our revenue from sales of new vehicles. The loss of or diminishment of any such brand could have a material adverse effect on our business, financial condition, results of operation and growth prospects.

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There is no assurance that we will be able to maintain relationships with automobile manufacturers of these major brands in the future. They may reduce or terminate their business dealings with us, or decide not to renew the authorised dealership agreements on commercially reasonable terms, or at all. Our inability to continue selling motor vehicles of these brands due to any termination of our relationships with their respective automobile manufacturers would materially and adversely affect our business, financial condition, results of operation and growth prospects. Furthermore, factors that are beyond our control, such as product recalls, adverse changes and deterioration in financial position of automobile manufacturers and their failure to design, manufacture and market new motor vehicles may impose negative publicity on these major brands and make these brands less attractive to consumers leading to decreased sales. In such event, our business, financial condition, results of operation and growth prospects would be materially and adversely affected.

Our business may be adversely affected by political and macro-economic events.

Any adverse changes in political relations between the PRC and Japan and/or other countries may adversely affect our business. In 2017, our sales volume in Beijing Hyundai passenger vehicles decreased due to the anti-South Korea sentiment in the PRC as a result of the United States of America's deployment of the Terminally High Altitude Area Defense (THAAD) system to South Korea. In addition, in 2018 and 2019, the trade war between the PRC and the United States led to the United States imposing additional tariff on goods imported from the PRC in September 2018 while the PRC also imposed additional tariff on goods imported from the United States. As at the Latest Practicable Date, the additional US export tariff rate was (i) increased to 25% on certain motor vehicles and spare parts; and (ii) increased to 10% on certain motor vehicles effective from September 2019 and December 2019, while the PRC has also increased the additional import tariff rate to 5%, 10% or 25% on relevant motor vehicles and spare parts. In late August 2019, the PRC further increased the additional import tariff of (i) certain spare parts to 5% effect from September 2019; and (ii) certain motor vehicles and spare parts to 5% to 35% effect from December 2019, and meanwhile, the United States further increased the addition US export tariff of (i) certain motor vehicles and spare parts to 30% effect from October 2019; and (ii) certain motor vehicles to 15% effect from September 2019 and December 2019.

During the Track Record Period, all of our Group's purchases from our top five suppliers, representing approximately 86.5%, 82.9%, 92.0% and 84.0% of our Group's total purchase, were manufactured or supplied by domestic joint ventures of, manufacturers based in countries outside of the PRC, namely Japan, Germany, South Korea and the United States. Any significant deterioration in the PRC's relations with any of such countries could discourage some of our customers from purchasing certain brands of passenger vehicles that we sell or could lead to legislation or government policies in the PRC or such other countries that could have an adverse impact on our business interests such as increase of our cost of sales directly or indirectly. In particular, for each of the three years ended 31 December 2018 and the four months ended 30 April 2019, sales of Japanese branded or sino-Japanese branded passenger vehicles, i.e. Dongfeng Nissan and FAW Toyota, contributed to approximately 53.0%, 58.8%, 62.9% and 64.4%, respectively, of our revenue from sales of new vehicles. As a result, our business and operations may be affected by the diplomatic relations between the PRC and Japan and subsequent developments in government policies by the PRC government and the actions of the Japanese government.

RISK FACTORS

Automobile manufacturers impose restrictions on many different aspects of our business and operations and we rely on their support and cooperation for the successful operation of our business.

Under our authorised dealership agreements with automobile manufacturers, such automobile manufacturers may impose various restrictions on our business and operations of respective outlets. Please refer to the section headed “Business — Key Terms of Our Dealership Agreements” for further details.

These restrictions imposed by, and significant influence from, automobile manufacturers on our business could restrict the manner in which we conduct our business and could impair our ability to respond to changes in business environment, which could in turn materially and adversely affect our financial condition, results of operations and growth prospects. Furthermore, we rely on support and cooperation from automobile manufacturers for the successful operation of our business. However, violation of such limitations may result in the termination of such dealership agreement or the deterioration of our business relationship with the automobile manufacturers. If our relationship with any of our automobile manufacturer were to deteriorate, the automobile manufacturers may not renew the dealership agreement with us or may not invite us to establish additional 4S dealership outlets and our business, financial condition, results of operations and growth prospects could be materially and adversely affected. For details of our 4S dealership outlets, please refer to the section headed “Business — Our Business — Our Dealership Network — Our Existing Network” in this prospectus.

Our net profit margin would be adversely affected if the amount of incentive rebates we receive from automobile manufacturers diminishes or ceases entirely.

Automobile manufacturers typically provide incentive rebates to dealerships that meet certain criteria. These rebates are generally determined with reference to a number of factors, including sales volume of passenger vehicles, purchase volume of passenger vehicles and assessment by automobile manufacturer under a particular brand or selected vehicle models, spare parts or accessories.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, we recorded rebates from our automobile manufacturers of approximately RMB187.6 million, RMB239.3 million, RMB340.5 million and RMB139.4 million, respectively, representing approximately 11.9%, 14.6%, 20.5% and 28.6% of our revenue from sales of motor vehicles, respectively. The amount of incentive rebates represent a significant portion of our revenue. Incentive rebates relating to motor vehicles purchased and sold are recognised as reduction in cost of sales. There can be no assurance that automobile manufacturers will continue to provide us with incentive rebates, or that we will be able to satisfy the conditions set out by the automobile manufacturers to receive any of the incentive rebates under the existing arrangements. Therefore, our Group has limited control the profitability on sales of motor vehicles as the amount of incentive rebates could potentially seriously affect our cost of sales. If some or all of the automobile manufacturers cease to offer such rebates in the future, or alter the conditions by which such rebates are granted such that we receive less rebates, our results of operations and financial conditions may be adversely affected.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our net profit margin was 0.8%, 1.6%, 1.8% and 1.0%, respectively. In comparison for the three years ended 31 December 2018 and the four months ended 30 April 2019, our net profit/loss margin excluding such incentive rebates from our automobile manufacturers would be -9.4%, -11.0%, -15.8% and -23.5%, respectively. Please refer to the section headed “Financial Information — Factors Affecting our Financial Condition and Results of Operations — Rebates from automobile manufacturers” in this prospectus for further details.

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Our net profit margin would be adversely affected if we are unable to enjoy or maintain maximum incentive rebates provided by the automobile manufacturer of the Jaguar and Land Rover brand after 2019.

Our first Jaguar and Land Rover 4S dealership outlet commenced its operation in second quarter of 2019. According to the Authorised Dealer Conditional Incentive Policy of Third Quarter 2019 issued in respect of the Jaguar and Land Rover Brand (the “**Jaguar and Land Rover Conditional Incentive Policy**”), authorised dealers shall enjoy incentive rebates from the automobile manufacturers of the Jaguar and Land Rover brand if they are able to meet various targets set out in the Jaguar and Land Rover Conditional Incentive Policy. These targets take into account: (i) the number of Jaguar and Land Rover vehicles purchased/sold; (ii) the quality of after-sales services; and (iii) promotional activities. We, as the new authorised dealer of the Jaguar and Land Rover brand, would enjoy a grace period up to December 2019, which allows us to be entitled to the maximum incentive rebates regardless of our fulfillment of target.

There can be no assurance that automobile manufacturers of the Jaguar and Land Rover brand will continue to provide us with the favourable incentive rebate policies in the future. Therefore our Group has limited control on the profitability on sales of motor vehicles of the Jaguar and Land Rover brand as the amount of incentive rebates could potentially affect our cost of sales. If some or all of these favourable incentive rebate policies ceased to be provided by the automobile manufacturers of the Jaguar and Land Rover brand in the future such that we receive less incentive rebates, our results of operations and financial conditions may be affected.

All of our service points are located in Zhongshan within the Guangdong province of the PRC and we derive all of our revenue in this area.

During the Track Record Period, all of our service points were located in Zhongshan within the Guangdong province of the PRC, and during the Track Record Period, we derived all our revenue from this region. We expect to continue to derive majority of our revenue from this region in the foreseeable future. As such, any negative event or development that affects Zhongshan or the Guangdong province, such as political and macro-economic events, the slowdown of regional economic growth, natural disasters, outbreaks of contagious diseases, changes in laws and regulations, may negatively affect the automobile dealership industry in this area, which in turn could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our business operation and financial performance could be materially and adversely affected by our indebtedness.

During the Track Record Period, we relied on bank loans and banking facilities to support a substantial part of our capital expenditures, and we expect to continue to do so in the future. We had total interest-bearing bank borrowings of approximately RMB75.0 million, RMB70.0 million, RMB173.2 million and RMB298.4 million, as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively. Our gearing ratio (being total debt including interest-bearing bank and other borrowings and amount due to a shareholder divided by total equity as at the end of the respective year multiplied by 100%) for the same periods was approximately 148.5%, 242.9%, 300.3% and 459.0%, respectively. See “Financial Information — Key Financial Ratios — Gearing ratio” in this prospectus for further details.

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Our high gearing ratio could adversely affect our business development and financial performance in ways, such as:

- increase our vulnerability to adverse overall industry environment or any increase in interest rates;
- restrict our flexibility to manage our cash flow, because a substantial percentage of our cash will have to be allocated to the repayment of indebtedness;
- reduce our ability to obtain further external financing;
- increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential damage liability from motor vehicle defects/recalls or expenses for upgrading technologies or equipment required for our after sales services; and
- decrease our sales volume or our rate of expansion, since our marketing and sales budget will be limited as a result of the repayment of our indebtedness.

We have recorded negative operating cashflows and we cannot assure you that we will not experience the same again in the future.

For each of the two years ended 31 December 2018, we recorded net cash used in operating activities of approximately RMB22.5 million and RMB8.7 million. Please refer to the “Financial Information — Liquidity and Capital Resources — Cash flows from or used in operating activities” in this prospectus. We may record negative operating cashflows again in future due to the fluctuation of our level of (i) inventories; (ii) prepayments, other receivables and other assets; or (iii) trade and bill payables. If we record negative operating cash flows in the future and fail to fund our working capital through external sources, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We are implementing strategies by expanding our motor vehicle sale and service network through organic growth or selection acquisition, and expansion of our other integrated auto services and failure to implement such strategies could materially and adversely affect our business.

We plan to expand our motor vehicle sale and service network through organic growth or selective acquisition. For details of our strategies, please refer to the section headed “Business — Our Strategies” in this prospectus. In addition, customers who use our other integrated auto services will in turn form the customer base of our new customers of sales of motor vehicles. It is therefore one of our core strategies to integrate a comprehensive array of auto services to increase stickiness of our customers and to improve the overall profitability of our business as a whole. However, these growth strategies may create pressure on the allocation of our managerial, technical, financial, production, operational and other resources, as capital expenditures will be incurred for the expansion of our motor vehicle sale and service network and expansion of our other integrated auto services and we require additional manpower to cope with such business expansion. There can be no assurance that we would be able to implement such growth strategies successfully, or that market conditions would enable our businesses to grow as we have expected, in which case our business and results of operations may be materially and adversely affected.

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The investment payback period of our automobile dealerships could increase if our profit margins decline.

Historically, the investment payback period for our 4S dealerships outlets based on historical management accounts has ranged from approximately four to ten years from the date of commencement of operations of such 4S dealership outlets, please refer to “Business — Our Business — Our Dealership Network — Our Existing Network” in this prospectus for more information. The length of the investment payback period for a particular automobile dealership is determined in large part by the net profits generated by such automobile dealership which can be affected by a number of factors including its profit margin. To the extent our profit margins decline for any such new automobile dealerships, due to either industry wide or dealership-specific factors, the investment payback period for such automobile dealerships may increase, which may in turn negatively affect our business, financial condition, results of operations and growth prospects.

We may not be able to sustain our historical growth rate or financial performance in the future and our profitability may be affected by the mix of products and services we offer.

Our businesses consist of the sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services. During the Track Record Period, we derived over 85.0% of our revenue from sales of motor vehicles. However, we recorded significantly higher gross profit margin for other integrated services (particularly in repair services and insurance agency services) than for sales of motor vehicles. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our gross profit margin for repair services was approximately 16.9%, 19.4%, 20.3% and 18.1%, respectively, and our gross profit margin for insurance agency services was 100.0%, 100.0%, 100.0% and 91.3%, respectively. On the other hand, our gross profit margin for sales of motor vehicles was approximately 1.0%, 2.1%, 3.7% and 6.7%, for the respective periods. As such, our overall gross profit margin may vary depending on changes in the gross profit margins of our sales of motor vehicles or of our other integrated services and changes in the relative revenue contributions of those businesses. We may not be able to maintain the gross profit margin of our repair and other services at a rate equal to, or higher than, that of our sales of motor vehicles business. Accordingly, our gross profit margin may vary from or be lower than our expectations. As a result, our profitability may vary from period to period due to changes in the mix of products and services we offer during the relevant periods.

We have not yet obtained valid titles or rights to use certain properties occupied by us.

We operate our sale points on properties that we either own or that we lease from third parties; there are title defects with certain portions of these properties. As at the Latest Practicable Date, we owned one property and leased 25 properties. During the Track Record Period and up to the Latest Practicable Date, some of our owned or leased properties lack the building ownership certificate and/or the land use right certificate. During the Track Record Period, five of the leased properties with defective title are collectively-owned land parcels and the lease agreement of one of these properties expired in May 2019. One of these leased properties with defective title also has inconsistent land use. Please refer to the paragraph headed “Business — Properties” in this prospectus for more information. For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to properties with defective title together amounted to approximately RMB805.6 million (representing approximately 43.9% of our revenue), RMB843.3 million (representing approximately 44.3% of our revenue), RMB854.9 million (representing approximately 44.1% of our revenue) and RMB233.6 million (representing approximately 41.1% of

RISK FACTORS

our revenue), respectively, and gross profit attributable to properties with defective title together amounted to approximately RMB52.5 million (representing approximately 42.9% of our gross profit), RMB74.4 million (representing approximately 51.2% of our gross profit), RMB78.5 million (representing approximately 45.0% of our gross profit) and RMB23.6 million (representing approximately 43.5% of our gross profit), respectively. Before the respective lessors of our leased properties obtained the building ownership certificate and/or land use right certificate, there is a risk of us not being able to continue to use our leased properties on collectively-owned land parcels without building ownership certificate and/or land use right certificate and could require us to relocate our business operations occupying these properties.

Our business and financial performance depends on our ability to effectively manage our inventories.

Our business and financial performance depends on our ability to maintain a reasonable level of inventories of motor vehicles, spare parts and accessories. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our average inventory turnover days were 45 days, 36 days, 43 days and 57 days, respectively. Some of the automobile manufacturers require our 4S dealership outlets to maintain a minimum level of inventories of motor vehicles, spare parts and accessories to respond to customer demands in a timely manner. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs, and may need to adopt more promotional activities, including offering discounts, to dispose of inventories, which could have an adverse impact on our financial condition and results of operations. If we understock inventory for any reason, we may not be able to satisfy demand of our customers, which may cause us to forgo revenue and adversely affect our reputation, relationship with the manufacturers and results of operations. See “Business — Inventory Management” and “Financial Information — Net Current Assets — Inventories” in this prospectus for further details.

Product defects and motor vehicle recalls could have a negative impact on our operation of business, financial condition and growth prospects.

Automobile manufacturers conduct recalls from time to time to remedy defects or other problems with their products. See “Business — Our Business Segments — Other integrated auto services — Repair services — Motor vehicle recalls” in this prospectus for more information. We have been advised by our PRC Legal Advisers, that, under PRC laws and regulations, automobile manufacturers shall bear the expenses for elimination of defects and necessary expenses for transporting defective auto products in connection with the recalls. However, product defects and motor vehicle recalls could have a material adverse effect on customers’ confidence in the quality and safety of the affected vehicle brands. As a result, product defects and recalls may lead to the cancellation of orders placed by our customers and a decline in demand for particular vehicle brands or models that we sell, which in turn may reduce our sales and result in a high level of inventories of the relevant vehicle models, motor vehicles of the same brands and their spare parts. We may incur costs associated with holding excess inventories or reduce our selling price. We cannot assure you that there will be no future motor vehicle recalls or product defects affecting the motor vehicles we sell, or that any of the recalls or product defects will not have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In addition, according to the 3R Provisions, the sellers are responsible for guaranteeing the repair, replacement and return of household automotive products (the “**Three Warranties**”), but are entitled to compensations from the automobile manufacturers if the liabilities are attributable to the automobile manufacturers. As we are entitled to compensation from our automobile manufacturers, if the defects in the products subject to the Three Warranties occurred within the valid period of the Three Warranties and are attributable to our automobile manufacturers, and our costs for carrying

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out the Three Warranties as a result of defects in the automobiles have historically been reimbursed by the automobile manufacturers, according to our accounting policy, no provision will be made in relation to the claims under the Three Warranties and during the Track Record Period, no such provision has been made. To the extent that the 3R Provisions lead to an increase in Three Warranties claims against us by our customers and these claims are not reimbursed by the relevant automobile manufacturers in a timely manner or at all, our business, financial condition, results of operations and growth prospects may be affected. See “Regulatory Overview — Regulations Relating to the PRC Automobile Industry — Guarantees for Family Car Products” and “Business — Our Business Segments — Other integrated auto services — Repair Services” in this prospectus for more information.

Our rentals, right-of-use assets and lease liabilities for properties leased from the Excluded Group would increase after Listing.

During the Track Record Period, we leased 16 properties from the Excluded Group to meet the daily operation needs of our Group and the rentals paid under such lease agreements amounted to approximately RMB0.5 million, RMB1.0 million, RMB1.3 million and RMB1.6 million for the three years ended 31 December 2018 and the four months ended 30 April 2019. Upon entering into the Individual Lease Agreements which will be subject to the Property Leasing Framework Agreement from the date of Listing, the rentals under each Individual Lease Agreement shall be determined with reference to the prevailing market rates of properties in the same area which are comparable to the property being the subject of each Individual Lease Agreement and the annual cap of the Property Leasing Framework Agreement for the three years ending 31 December 2021 are RMB6.0 million, RMB6.0 million and RMB6.0 million respectively. Our Group’s rental expenses, right-of-use assets and lease liabilities would increase after Listing. Should the prevailing market rate of the properties in proximity of our leased property increase, our rentals to be paid under the Individual Lease Agreements and the relevant right-of-use assets and lease liabilities would increase further.

We may not be able to obtain adequate financing on acceptable terms on a timely basis, or at all, and we may issue securities that dilute your interests or limit our business.

Our business is capital intensive and we usually need to obtain financing from commercial banks to fund our capital expenditure. We require significant working capital to fund inventories of motor vehicles, spare parts and accessories at our outlets. We also require significant capital to expand our automobile dealership network and maintain our existing stores and operations, including purchases of property, plant and equipment and land use rights. For the three years ended 31 December 2018 and the four months ended 30 April 2019, we incurred capital expenditures of approximately RMB19.9 million, RMB9.6 million, RMB42.0 million and RMB12.1 million, respectively. As of 31 December 2016, 31 December 2017 and 31 December 2018 and the four months ended 30 April 2019, we had interest-bearing bank borrowings in the amount of RMB75.0 million, RMB70.0 million, RMB173.2 million and RMB298.4 million, respectively. Our finance costs in connection with our interest-bearing bank borrowings were approximately RMB5.2 million, RMB4.0 million, RMB5.3 million and RMB3.6 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

During the Track Record Period, we have generally relied on cash generated from our operations, bank and other borrowings and banking facilities to fund our operations and expansion plans. There can be no assurance that the cash flows generated from our operations will be sufficient to fund our future capital needs. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control, including the global and PRC economic conditions, market conditions for the

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automobile dealership industry in the PRC and in the regions where we operate, interest rates fluctuation and changes in applicable laws, rules and regulations. In particular, the Measures for the Management of Automobile Loans (汽車貸款管理辦法), which were jointly promulgated by the People's Bank of China ("PBOC") and the China Banking Regulatory Commission ("CBRC") and effective from 1 January 2018, provide that term of loans granted to distributors for purchasing passenger vehicles and spare parts shall not be longer than one year and that an automobile dealer's asset liability ratio, which equals to dividing the total debt, including interest-bearing bank borrowings and other borrowings and amount due to shareholders by total assets, must not exceed 80%. See "Regulatory Overview — Regulations Relating to the PRC Automobile Industry — Automobile Loans" in this prospectus for more information. During the Track Record Period, our asset liability ratio was 30.8%, 42.5%, 47.9% and 52.6%. If we are unable to obtain external financing when required, in a timely manner, at a reasonable cost or on commercially reasonable terms, or at all, our business and operation may suffer, the implementation of our expansion plan may be delayed and our competitive position and growth prospects may be adversely affected. Furthermore, our finance costs could be significantly higher than the prevalent interest rates, which can adversely affect our liquidity and results of operations.

Furthermore, our future bank borrowings may contain certain restrictive covenants which may restrict our operations. Failure by us to meet payment obligations or to comply with any affirmative covenants, or violation on our part of any negative covenants, may constitute an event of default under our future borrowings. If any event of default occurs, our financial condition, results of operations and cash flow may be materially and adversely affected.

In addition, we may issue equity or debt securities to meet our future capital needs. Any future sale by us of any equity securities or securities convertible into our equity securities could dilute shareholders' interests. Our incurrence of additional debt would also result in increased debt servicing obligations and may result in restrictive covenants limiting our shareholding structure, business or operations.

We depend on our information technology systems provided by our automobile manufacturers.

We depend on reliable information technology systems to manage various aspects of our business.

All of our 4S dealership outlets are required to use the designated information technology systems developed and provided by various automobile manufacturers. The reliability and security of the manufacturers' information technology systems, which they typically use in all of their authorised dealership outlets, are beyond our control. We may encounter hardware and software failure in the manufacturers' information technology systems that disrupt our operations or adversely affect our customers and damage our reputation. Please refer to the section headed "Business — Information Technology" in this prospectus for more details.

Our success depends on our senior management team and skilled employees and our ability to attract and retain talents.

Our success is, to a significant extent, attributable to the leadership of our senior management team, in particular, Mr. Law (our chairman and executive Director), Mr. Chen Shaoxing (our executive Director) and Ms. Li Huifang (our executive Director and to co-head of operation). Mr. Law has over 26 years of experience in the automobile trading and distribution industry. Mr. Chen Shaoxing has over 25 years of experience in accounting and financial management. Ms. Li Huifang has over 16 years of experience in the automobile sales and distribution industry. For background

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details of our senior management team, please refer to the section headed “Directors and Senior Management” in this prospectus. We do not maintain key person insurance for members of our management team. The loss of services of any member of our senior management team could significantly affect our ability to effectively manage our operations and implement our expansion plan and as a result, our competitiveness may decrease. This may in turn materially and adversely affect our business, financial condition, results of operations and growth prospects. We cannot assure you that we will be able to retain our management team or find suitable or comparable replacements on a timely basis or at all.

Our success also depends on our ability to attract, train, motivate and retain an adequate number of talents, including our store managers, customer service and sales personnel, and automotive engineers and technicians. Due to the growth of the automobile dealership industry in the PRC, competition for experienced and qualified personnel is intense. There is no assurance that we will be able to attract, train, motivate and retain the necessary personnel to grow and develop our business, continue to deliver high quality sales or customer services or appropriately staff new outlets. If we are unable to attract and retain the necessary personnel to grow and develop our business, including appropriately staffing our new stores and quickly ramping up their sales, our business, financial condition, results of operations and growth plans may be materially and adversely affected.

Improper disclosure or unauthorised use of customer information may result in liability and harm our business.

Leveraging our extensive business network and our information technology systems, we have developed a large customer database. We have established policies and procedures to help protect the security and privacy of this information. If our security controls over personal and other data and practices we follow fail to prevent the improper access to, or disclosure of, personally identifiable or otherwise confidential information, we may be subject to liability under our contracts and the laws that protect personal data and confidential information, resulting in increased costs to us. In addition, our reputation may be harmed and our customers may resist providing their personal information to us, which may have a material adverse effect on our ability to collect and utilise customer data to promote our business, resulting in decreased revenue to us. Furthermore, data privacy is subject to frequently changing rules and regulations, and our failure to adhere to or successfully implement procedures in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace.

Moreover, the application of laws governing intellectual property rights in the PRC is uncertain. If we fail to adequately protect our trademarks or other related intellectual property rights, our brand and reputation may be negatively affected and as a result, our business and growth prospects may be materially and adversely affected.

Our insurance coverage may be inadequate to protect us from certain types of losses.

Our insurance policies cover losses to our fixed assets and inventories in our 4S dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes and tsunamis. However, we do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, neither do we maintain any insurance coverage for business interruption due to the limited availability of business interruption insurance in the PRC. Significant uninsured damage to any of our properties, inventories or other

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assets, whether as a result of earthquakes, tsunami or other causes, and liabilities claims against us could have a material and adverse effect on our business, financial condition, results of operations and growth prospects.

Our business is subject to seasonal fluctuations.

We experience seasonal fluctuations in our business and results of operations. Our sales of new vehicles are subject to seasonality. We have, in the three years ended 31 December 2018 and the four months ended 30 April 2019, recorded higher sales volume of passenger vehicles in the second half of each year. As a result, comparisons of our sales and results of operations between different semi-annual periods within a single fiscal year or in different fiscal years are not necessarily meaningful and should not be relied on as indicators of our performance for any future period.

We may receive customer complaints in relation to the arrangement of financing for our customers in relation to sales of motor vehicles.

Our business consists of arranging financing for our customers if necessary. From time to time, we refer customers or potential customers who wish to arrange vehicle financing to third party financiers and charge referral fees from the financiers and handling fees from our customers. We generally deliver the motor vehicles to our customers upon the granting of loan approval by financiers. The amount of handling fees charged by our Group to the customer for the arrangement of vehicle financing was stipulated on the sales contract entered into between our Group and our customers, which was made by the mutual agreement by our Group and the customer. As advised by our PRC Legal Adviser, the receipt of the handling fees charged from the customer did not fall within the events where unauthorised charge is included in the price charged to customers pursuant to the Measures for the Administration of Automobile Sales and would not violate any compulsory PRC laws and regulations which may render the sales contract void. However, we may still receive complaints from our customers who are dissatisfied with our services in relation to the arrangement of financing, which could affect our corporate image and reputation in the passenger vehicle market in Zhongshan.

RISKS RELATING TO OUR INDUSTRY

We operate in a regulated industry, and if we fail to comply with applicable laws and regulations or maintain necessary approvals, licences and permits, our business and operations may be adversely affected.

We operate in a regulated industry. In particular, a number of PRC automobile industry deregulation and consumer protection guidelines came into effect in recent years including the Measures for the Administration of Automobile Sales (汽車銷售管理辦法). These regulations and guidelines brought several key changes to the automobile industry in the PRC including the following: (1) it allows sales of motor vehicles to be carried out with or without authorised dealership agreements; (2) where an automobile manufacturer intends to sell motor vehicles by granting authorisation to a dealer, the period of authorisation (excluding the store construction period) shall generally not be shorter than three years on each occasion, provided that the period of first-time authorisation shall generally not be shorter than five years; (3) dealers shall perform record-filing of the basic information through the national automobile circulation information management system of the competent commerce department of the State Council within 90 days of the receipt date of business licences. Where there is any change to the information concerned, its update shall be made within 30 days of the date of the change. Please refer to the section headed “Regulatory Overview” of this prospectus for more details.

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We are also required to maintain various approvals, licences and permits for our operations and make various filings for our operations. Also, after the Measures for the Administration of Automobile Sales came into effect in July 2017, pricing of motor vehicles, among other things, are subject to tighter regulation in order to protect consumers' interest.

If we fail to comply with applicable laws, rules or regulations in the PRC, or to obtain or maintain necessary approvals, licences and permits, our business or operations may be adversely affected and we may be subject to fines or penalties. Please refer to the section headed “Business — Legal Proceedings and Regulatory Compliance” in this prospectus for more information. As of the Latest Practicable Date, except as disclosed otherwise, all of our PRC subsidiaries held valid licences material to their businesses or were in the process of applying for or renewing the relevant licences according to PRC law.

Furthermore, there can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licences or permits, or to impose stricter requirements to obtain or maintain the approvals, licences or permits required for our business operations. Any loss of or failure to obtain or renew our approvals, licences, or permits could disrupt our operations and any fines or other penalties imposed by the PRC government could materially and adversely affect our results of operations, financial position and reputation.

Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile dealership industry.

The PRC automobile dealership industry is competitive. Automobile manufacturers typically grant non-exclusive dealership rights in the same geographical area. As a result, in many of our markets we compete with dealerships that offer the same brands and models as we do, as well as those offering competing brands. Our business is also affected by competition among automobile manufacturers in terms of quality, delivery time, design and price. In addition, we also compete with independent repair shops and auto parts retail centres in after-sales services and spare parts sales. We believe that automobile dealership stores in the PRC compete for customers on the level of customer services, inventory of motor vehicles, capabilities of sales personnel, management personnel, automotive engineers and technicians and on the prices of their motor vehicles. In addition, more automobile manufacturers may enter the distribution sector and build up their own automobile dealership network in the future. Any changes in the regulation of the automobile dealership industry could allow new market participants to enter the dealership business, which may intensify competition and could materially and adversely affect our business and results of operations. Any increase in number of competitors in the PRC automobile dealership industry could have a negative impact our market share and result in a decrease in our revenue and profit. As a result, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We further believe that competition will intensify as a result of the entry of online auto stores and auto supermarkets following the deregulation of the PRC automobile industry.

The risk of disintermediation of automobile manufacturers and setting up their own dealership outlets may affect our competitiveness.

The Measures for the Administration of Automobile Sales (汽車銷售管理辦法), which was effective on 1 July 2017, allows sales of motor vehicles to be carried out with or without authorised dealership agreements. It also stipulates that, save as agreed otherwise in the dealership agreements,

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automobile manufacturers are not allowed to conduct direct sales to customers in geographical areas in which authorised dealers are appointed. Although our dealership agreements with our automobile manufacturers generally provide that the automobile manufacturers reserve the right to conduct direct sales, as advised by ACMR, as at the Latest Practicable Date, 1) none of our automobile manufacturers has set up any dealerships in Zhongshan; and 2) although there are a few automobile manufacturers who have established their direct sales outlets, such outlets are commonly located in the areas where there are no authorised dealerships. As such, ACMR is of the view that it is not likely that authorised dealership model will be replaced by the direct sales model in the PRC.

However, according to the ACMR Report, there is an emerging business model adopted by new energy vehicle manufacturers, in which such manufacturers will make use of internet and technology, for example, mobile application, to carry out direct sales of motor vehicles to their customers instead of appointing authorised dealers as their distributors. The adoption of such business model would lead to disintermediation of new energy vehicle manufacturers.

If there is any change in the relevant regulation allowing our automobile manufacturers to set up their own sales outlets in the geographical areas where our relevant authorised dealership are located or the new energy vehicle manufacturers decide to adopt the internet direct sales model, our competitiveness in the passenger vehicle market in the PRC may be weakened and the business of our 4S dealership outlets may be adversely affected.

The rapid development of used vehicle e-commerce platforms may compete with our Group in our used vehicle services.

During the Track Record Period, our Group offered used vehicle services included sales of used vehicles, used vehicle warranty services and registration of title transfer of used vehicles. We plan to open three used vehicle marketplaces and an office building for used vehicle marketplace in Zhongshan by 2020. They would provide dedicated one-stop used vehicle services which include a physical trading platform for used vehicle valuation and auction services.

According to the ACMR Report, there was rapid development of used vehicle e-commerce platforms. These e-commerce platforms enable the vendors of the used vehicles to sell their used vehicles online and customers would be able to conclude the sales of the used vehicles online. They also provide registration of title transfer of used vehicles and arrangement of vehicle financing for their customers. Given the similar services provided by such used vehicle e-commerce platforms, they may compete with our Group in our used vehicle services and may adversely affect our performance and profitability.

Limits on new vehicle purchase imposed by the PRC government could have an adverse effect on our business and results of operations.

In order to ease the traffic congestion in the PRC, the PRC government adopted limit on the new vehicle purchase by way of limiting the number of new licence plates to be issued each year. As at the Latest Practicable Date, the PRC government had imposed limits on new vehicle purchase in the Hainan Province and seven cities in the PRC namely, Beijing, Shanghai, Guiyang, Guangzhou, Tianjin, Hangzhou and Shenzhen. There is uncertainty as to whether such limit would be imposed in the geographical areas in which we operate our business, and if there is such limit, it may affect the demand for passenger vehicles and it could have an adverse effect on our business and results of operations.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Adverse changes in economic, political and social conditions and government policies in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.

All of our business and operations are conducted in the PRC. We anticipate that the PRC will remain our primary market in the foreseeable future. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in the PRC. Economy in the PRC differs from the economies of developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. A substantial portion of productive assets in the PRC is still owned by the PRC government, and the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC economic growth through allocation of resources, restrictions on payment of foreign currency-denominated obligations, the setting of monetary policy and provision of preferential treatment to particular industries or companies.

While in recent years the PRC government has been reforming the PRC economic system and government structure, the economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. The growth of the economy of the PRC has also been uneven, both geographically and among various sectors of the economy. Historically, the PRC government has taken measures in attempt to constrain economic growth to a manageable level, especially to control the growth rate in industrial production, bank credit, fixed investment and monetary supply. In addition, a slowdown in growth of the economies of the United States, the European Union and certain Asian countries may negatively affect the economic growth in the PRC. We cannot predict how the changing global economic conditions will affect the economic growth and consumer spending in the PRC, nor whether changes in the PRC's economic, political and social conditions or laws, regulations and policies will have any adverse impact our current or future business, financial condition, results of operations and growth prospects.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are primarily conducted in the PRC and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. The legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations, in a manner which materially and adversely affects our business, results of operations or prospects. For example, the PRC government may require additional

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approvals, licences or permits for our business and operations, or to impose stricter requirements or conditions for the maintenance or renewal of approvals, licences or permits required for our business and operations. Any loss of or failure to obtain, maintain or renew our approvals, licences or permits could disrupt our operations or subject us to fines or penalties. Please refer to the sections headed “Regulatory Overview” and “Business — Legal Proceedings and Regulatory Compliance” in this prospectus for more information.

Under the EIT Law, we and our non-PRC subsidiaries may be classified as “resident enterprises” of the PRC, and this classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, an enterprise established outside the PRC with “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementation rules of the EIT Law define “de facto management bodies” as management bodies that have “substantial and overall management and control over the production and operations, personnel, accounting, properties and other aspects of the enterprise.” Through a circular promulgated in April 2009, the SAT further clarified the criteria for determining whether an enterprise has “de facto management bodies” within the PRC. As most of our management is currently based in the PRC and many may remain in the PRC in the future, we and our non-PRC subsidiaries may be treated as “resident enterprises” and a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. This would mean that any income sourced by us from outside the PRC, such as interest on offering proceeds held outside the PRC, would be subject to PRC enterprise income tax at a rate of 25%. Although the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether dividends we receive from our non-PRC subsidiaries, including Hong Kong subsidiaries and BVI subsidiaries, would be eligible for such exemption if we were considered to be a PRC resident enterprise. In addition, if we are treated as PRC “resident enterprise” under PRC law, capital gains realised from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within the PRC. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC Resident Enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

Our ability to pay dividends depends on our subsidiaries’ earnings and distributions.

We are a holding company incorporated in the Cayman Islands, and our business and operations are primarily conducted through our PRC subsidiaries. We rely on dividends and other distributions paid by our PRC subsidiaries to make dividend payments and other distributions in cash to our Shareholders, service indebtedness we may incur, pay our operating expenses and finance the needs of our other subsidiaries. The ability of our PRC subsidiaries to pay dividends or other distributions may be subject to their earnings, financial condition, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to their shareholders contained in financing or other agreements. Applicable PRC laws and regulations permit payment of dividends by our PRC subsidiaries only out of their distributable profits, if any, determined in accordance with the accounting principles generally accepted in the PRC. Each of our PRC subsidiaries is required to maintain a general reserve fund of 10% of its after-tax profits based

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on accounting principles generally accepted in the PRC, up to a maximum of 50% of its registered capital. Our PRC subsidiaries that are foreign invested enterprises may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with PRC laws and regulations as well as their articles of association. In addition, if any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. Moreover, distributions by our PRC subsidiaries to us in forms other than dividends may be subject to government approvals and taxes. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund our business.

It may be difficult for you to effect service of process upon, or enforce judgments obtained in non-PRC courts against, us or our Directors or senior management who reside in the PRC.

We are a company incorporated under the laws of the Cayman Islands. Substantially all of our assets are located in the PRC. Most of our Directors and senior management also reside in the PRC and a substantial portion of their assets may also be located in the PRC. As a result, it may not be possible to effect service of process in the PRC upon most of our Directors and senior management, including for matters arising under applicable securities laws. Judgments of courts of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty on that with the PRC. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As such, recognition and enforcement in the PRC or Hong Kong of judgments of courts in some jurisdictions is uncertain.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics or acts of God and the occurrence of epidemics which are beyond our control may adversely affect the economy, infrastructures and livelihood of the people in the PRC. For instance, in 2009, a H1N1 Swine Flu broke out in Mexico and spread globally, resulting in a loss of lives. In 2013, a H7N9 virus was first reported to have infected humans in the PRC causing widespread fear. Our business, results of operations and financial condition may be adversely affected in a material respect if such natural disasters occur in the PRC. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our distribution channels and/or destroy our markets, which may materially affect our sales, costs, overall financial condition and results of operations. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, results of operations and financial condition may be materially and adversely affected as a result.

RISKS RELATING TO THE GLOBAL OFFERING AND THE SHARES

There has not been any prior public market for the Shares and an active trading market may not develop.

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following the completion of the Global Offering. There are factors that could cause the market price and trading volume of the Shares to change substantially,

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such as variations in our revenues, earnings and cash flows, strategic alliances or acquisitions made by our Company or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuation in the market prices for our services, the liquidity of the market for the Shares, and the general market sentiment regarding the industry. The Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering, and there is no assurance the trading price of the Shares will not decline below the Offer Price.

In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Offer Price.

Existing Shareholders' shareholding may experience dilution if our Company issues additional Shares in the future.

Our Company may issue additional Shares upon exercise of the options that may be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue of new Shares would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, our Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares. The issue of new Shares may also result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and share price of the Shares may fluctuate. Further, any disposal of a substantial number of the Shares by our Controlling Shareholders or Cornerstone Investors in the public market could adversely affect the market price of the Shares.

The market price and liquidity of the Shares may be highly volatile as mentioned previously. Furthermore, there is no guarantee that our Controlling Shareholders or Cornerstone Investors will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders or Cornerstone Investors or that the availability of the Shares for sale by any of our Controlling Shareholders or Cornerstone Investors may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or Cornerstone Investors or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

You may face difficulties in protecting your interests under Cayman Islands laws.

Our Company's corporate affairs are governed by, amongst others, the Articles of Association, the Companies Law and common law. The rights of our Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by the Companies Law, common law and the Articles of Association. Common law is derived in part from comparatively limited judicial precedent in the common law jurisdictions, which may have persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of

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minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. For further details, please refer to “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix III to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon.

Certain facts, statistics, and data presented in the section headed “Industry Overview” of this prospectus and elsewhere in this prospectus relating to the passenger vehicle market and after market of passenger vehicles in the PRC have been derived, in part, from various publications and industry sources prepared by PRC government departments or Independent Third Parties. The information in the section headed “Industry Overview” of this prospectus has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its completeness, accuracy or fairness. Our Directors believe that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Group has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, it cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Investors should read the entire prospectus and our Group strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding our Group, its business, its industry and the Global Offering.

There may be press and media coverage regarding our Group or the Global Offering, which may include certain events, financial information, financial projections and other information about our Group that do not appear in this prospectus. Our Group has not authorised the disclosure of any other information not contained in this prospectus. Our Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus and the Application Forms, our Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

Our future results could differ materially from those expressed or implied by the forward-looking statements.

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The principal operation of our Group is outside Hong Kong and is based in the PRC and save as Mr. Law, Mr. Chen Shaoxing and Ms. Li Huifang are not ordinarily residents in Hong Kong.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules and, in order to maintain effective communication with the Stock Exchange, our Company has put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and our Company:

- (a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Law, an executive Director, chairman and the chief executive officer and Mr. Chan Ngai Fan, one of our joint company secretaries. Both Mr. Law and Mr. Chan Ngai Fan are ordinarily residents in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives has been authorised by the Board to communicate on behalf of our Company with the Stock Exchange;
- (b) our Company will promptly inform the Stock Exchange if there is any change to the authorised representatives of our Company;
- (c) both the authorised representatives have means to contact all members of the Board (including the proposed independent non-executive Directors) and the senior management team promptly. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, (i) each executive Director and proposed independent non-executive Director has provided his mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives; (ii) in the event that an executive Director or proposed independent non-executive Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;
- (d) all Directors (including the proposed independent non-executive Directors) who are not ordinarily residents in Hong Kong have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period of time upon notice; and

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

- (e) our Company has appointed the Sole Sponsor as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will, in addition to the two authorised representatives, act as the channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

WAIVER IN RELATION TO THE APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Liang Jiexin and Mr. Chan Ngai Fan as our joint company secretaries. Although Ms. Liang Jiexin does not possess the specified qualifications required by Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules, our Directors consider Ms. Liang Jiexin capable of discharging her duty as a company secretary of our Company by virtue of her academic background and her experience in our Group in preparing the documents for filing in the SAIC, application for licence and assisting the preparation of internal guidelines, assisting in formulating policies and assessing the risk profile of our Group. In addition, our Company has appointed Mr. Chan Ngai Fan, who possesses such specified qualifications, to be one of our joint company secretaries. Ms. Liang Jiexin together with Mr. Chan Ngai Fan will be primarily responsible for company secretarial affairs and coordination of investor relations of our Group.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Please see section headed “Directors and Senior Management — Joint Company Secretaries” in this prospectus for the biographies of Ms. Liang Jiexin and Mr. Chan Ngai Fan.

Given the important role of company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, our Company will make or have made the following arrangements:

- (a) Mr. Chan Ngai Fan, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Listing Rules, will, throughout his engagement as one of our joint company secretaries, assist Ms. Liang Jiexin so as to enable her to acquire the requisite knowledge and experience (as required under Rule 3.28 of the Listing Rules) in order to discharge her duties and responsibilities as one of our joint company secretaries of our Company. Given Mr. Chan Ngai Fan’s relevant experience, he will be able to advise both Ms. Liang Jiexin and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Ms. Liang Jiexin, one of our joint company secretaries, will be assisted by Mr. Chan Ngai Fan for a period of three years commencing on the Listing Date or for a period commencing from the Listing Date to the date when she acquires the “relevant experience” under note (2) to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. Upon expiry of such period, a further evaluation of the qualifications and experience of Ms. Liang Jiexin and the need for on-going assistance will be made;
- (c) Pursuant to Rule 3.29 of the Listing Rules, Ms. Liang Jiexin and Mr. Chan Ngai Fan will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarise themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Ms. Liang Jiexin and Mr. Chan Ngai Fan will be advised by our legal advisers as to Hong Kong law and the compliance adviser of our Company as and when required;
- (d) Our Company will ensure that Ms. Liang Jiexin has access to the relevant trainings and support to enable her to familiarise herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Liang Jiexin has undertaken to attend such trainings;
- (e) Ms. Liang Jiexin will endeavour to attend relevant training courses organised by our Company’s Hong Kong legal advisers on an invitation basis and seminars organised by the Stock Exchange for listed issuers from time to time in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- (f) Mr. Chan Ngai Fan, who will familiarise himself with the affairs of our Company, will communicate with Ms. Liang Jiexin on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Mr. Chan Ngai Fan will work closely with, and provide assistance to Ms. Liang Jiexin with a view to discharging his duties and responsibilities as a company secretary, including organising Board meetings and Shareholders’ meetings of our Company; and

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

- (g) Ms. Liang Jiexin will also be assisted by our compliance adviser and our Hong Kong legal advisers of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our on-going compliance obligations under the Listing Rules and the applicable laws and regulations of Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years commencing on the Listing Date. If Mr. Chan Ngai Fan ceases to provide assistance to Ms. Liang Jiexin during the three years from the Listing Date, the waiver will be revoked with immediate effect.

Before the expiry of the initial three-year period, the qualifications and experience of Ms. Liang Jiexin and the need for on-going assistance from Mr. Chan Ngai Fan will be evaluated by our Company. Upon the determination of our Company that no on-going assistance is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Mr. Chan Ngai Fan over such three-year period, Ms. Liang Jiexin has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

WAIVER ON CONTINUING CONNECTED TRANSACTIONS

Our Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements under the Listing Rules in respect of our continuing connected transactions, particulars of which are set out in the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms, on the terms and subject to the conditions set out herein. No person in connection with the Global Offering is authorised to give any information, or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, and any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS OF OFFER SHARES

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his/her/its acquisition of the Offer Shares be deemed to confirm, that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus and that he/she/it not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective subscribers for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedure for application for the Hong Kong Offer Shares is as set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

APPLICATION FOR LISTING ON STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue and the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme. Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the application lists to the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 18 October 2019.

Shares will be traded in board lots of 2,000 Shares each and are freely transferable.

The stock code for the Shares is 1959.

Our Company will not issue any temporary document of title.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in the Shares registered in our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares. None of our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists, are unofficial translations for your reference only.

EXCHANGE RATE CONVERSION

Unless otherwise specified and for illustration purpose only, conversion of RMB into HK\$ and US\$ into RMB in this prospectus are based on the exchange rate set out below:

$$\begin{aligned}\text{RMB1.00} &= \text{HK\$1.10} \\ \text{US\$1.00} &= \text{HK\$7.83}\end{aligned}$$

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HK\$ and vice versa at such rates or any other exchange rates.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Law Hau Kit (羅厚杰)	38/F, 23 Celestial Heights 80 Sheung Shing Street Kowloon Hong Kong	Chinese
Mr. Chen Shaoxing (陳紹興)	Flat 1004, Tower 5 Grand Garden No. 5, Cui Hong Road Western District Zhongshan Guangdong Province PRC	Chinese
Ms. Li Huifang (李惠芳)	No. 1, Heping Street Guinan Maxi Village Wuguishan Town Zhongshan Guangdong Province PRC	Chinese
Independent Non-Executive Directors		
Mr. Li Wai Keung (李偉強)	Flat 1, 36/F, Tower H Beverly Hill 6 Broadwood Road Hong Kong	Chinese
Mr. Chang Eric Jackson (張世澤)	Flat 4, 15/F, Block B Villa Rocha 10 Broadwood Road Happy Valley, Hong Kong	Canadian
Ms. Yan Fei (嚴斐)	Flat 202, Tower 8 District Three Yadian Aoyun Village Nanguo Olympic Garden Guangzhou Guangdong Province PRC	Chinese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information on our Directors and members of our senior management.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN GLOBAL OFFERING:

Sole Sponsor

Fortune Financial Capital Limited

43/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Joint Global Coordinators

Fortune (HK) Securities Limited

43/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Mason Securities Limited

19/F, Lee Garden Three
1 Sunning Road, Causeway Bay
Hong Kong

Shanxi Securities International Limited

Unit A, 29/F, Admiralty Center Tower 1
18 Harcourt Road, Admiralty
Hong Kong

Joint Bookrunners and Joint Lead Managers

Fortune (HK) Securities Limited

43/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Mason Securities Limited

19/F, Lee Garden Three
1 Sunning Road, Causeway Bay
Hong Kong

Shanxi Securities International Limited

Unit A, 29/F, Admiralty Center Tower 1
18 Harcourt Road, Admiralty
Hong Kong

Essence International Securities (Hong Kong) Limited

39/F, One Exchange Square
Central
Hong Kong

Co- Lead Managers

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	CNI Securities Group Limited Unit A, 36/F China Online Centre 333 Lockhart Road Wanchai Hong Kong
Underwriters	Fortune (HK) Securities Limited 43/F, Cosco Tower 183 Queen's Road Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Howse Williams 27/F, Alexandra House 18 Chater Road Central Hong Kong <i>As to PRC law:</i> JunHe LLP Suite 1301, 13/F, E Building G.T. Land Plaza, No.13 Zhujiang East Road, Zhujiang New Town, Tianhe District Guangzhou, China <i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Underwriters	<i>As to Hong Kong law:</i> Loeb & Loeb LLP 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road, Beijing 100025, China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountants	Ernst & Young <i>Certified Public Accountants</i> 22/F CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Industry consultant	All China Marketing Research Co., Ltd. 8/F, Block B, ABP Plaza Building 2, Area 1, No. 188 Western Road of South 4th Ring Road Fengtai District Beijing, China
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7/F, One Taikoo Place 979 King's Road Hong Kong
Internal control consultant	BT Corporate Governance Limited 2nd Floor, 625 King's Road North Point, Hong Kong
Compliance adviser	Fortune Financial Capital Limited 43/F, Cosco Tower 183 Queen's Road Central Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business	No.40, Rainbow Road Western District Zhongshan, Guangdong Province PRC
Principal place of business in Hong Kong	Unit 1426, 14/F., Solo Building 41-43 Carnarvon Road Tsim Sha Tsui, Kowloon Hong Kong
Company's website	<u>www.car2000.com.cn</u> <i>(Note: contents contained in this website do not form part of this prospectus)</i>
Joint company secretaries	<p>Mr. Chan Ngai Fan HKICPA Flat G, 38/F, Block 10 Grand Yoho Phase 1 9 Long Yat Road Yuen Long New Territories, Hong Kong</p> <p>Ms. Liang Jiexin No. 44 East Second Street Dongfeng Town Zhongshan Guangdong Province PRC</p>
Authorised representatives (for the purpose of the Listing Rules)	<p>Mr. Law Hau Kit 38/F, 23 Celestial Heights 80 Sheung Shing Street Kowloon Hong Kong</p> <p>Mr. Chan Ngai Fan Flat G, 38/F, Block 10 Grand Yoho Phase 1 9 Long Yat Road Yuen Long New Territories, Hong Kong</p>

CORPORATE INFORMATION

Audit committee	Mr. Li Wai Keung (<i>Chairman</i>) Mr. Chang Eric Jackson Ms. Yan Fei
Remuneration committee	Mr. Chang Eric Jackson (<i>Chairman</i>) Mr. Chen Shaoxing Mr. Li Wai Keung
Nomination committee	Mr. Law Hau Kit (<i>Chairman</i>) Mr. Chang Eric Jackson Ms. Yan Fei
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Industrial and Commercial Bank of China (Zhongshan North Branch) No. 4, Ganglong South Road ICBC Building Zhongshan, Guangdong Province PRC China Construction Bank (Zhongshan Shalang Branch) No. 2, Jinhua South Road Zhongshan, Guangdong Province PRC

INDUSTRY OVERVIEW

The information contained in this section was prepared by All China Market Research Co., Ltd. (ACMR) and reflects estimates of market conditions based on publicly available sources and industry opinion surveys as a market research tool. References to ACMR should not be considered as the opinion of ACMR as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are the appropriate sources of such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading, or that any material fact has been omitted that would render such information false or misleading. Our Directors confirmed that, after making reasonable enquiries, there is no adverse change in the market information since the date of the ACMR Report. The information prepared by ACMR and contained in this section has not been independently verified by our Group, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and none of them gives any representations as to its accuracy (other than ACMR) and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned an independent market research provider in the PRC, ACMR, to analyse and report on the passenger vehicle market and passenger vehicle dealership market during the period from 2013 to 2023. ACMR was established in 1992 and provides data collection, industry research, market research and competition research services. Certain information contained in this section has been extracted from the industry report prepared by ACMR. The industry report dated September 2019 prepared by ACMR (the “**ACMR Report**”) is independent from our influence. ACMR received a total commission of RMB0.3 million for the research and preparation of the ACMR Report. The payment of such amount was not conditional on our successful listing or the ACMR Report. Except for this report, we did not commission any other customised research reports related to the Listing or this prospectus.

The ACMR Report was prepared based on the expertise of the PRC motor vehicle industry. In preparing the ACMR Report, ACMR has used classifications and definitions widely used in the industry, e.g., certain geographic subdivisions and definitions of types of passenger vehicles. Passenger vehicles in the ACMR Report refer to passenger vehicles produced by PRC proprietary automobile manufacturers, sino-foreign joint venture automobile manufacturers, and imported passenger vehicles. Passenger vehicles in the ACMR Report include sedans, SUVs and MPVs, and mini-vans are not included. The forecasts in ACMR Report were based on the following information: (i) historical data of the sales volumes of passenger vehicles in the relevant markets for the years from 2013 to 2018, (ii) interviews with the industrial experts and market participants to support, verify and cross-check the estimates, and (iii) other factors such as the support from the PRC government for the industry and purchase preference of motor vehicles the PRC consumers. The information was obtained by ACMR from a variety of industry sources, including relevant PRC government departments and established industry organisations, e.g. National Bureau of Statistics, the China Association of Automobile Manufacturers and the China Automobile Dealers Association, etc. To prepare the forecasts, the ACMR Report has assumed that: (i) the global economic environment will be stable during the forecast period, (ii) the PRC’s economy will keep growing during the forecast period, and (iii) there is no catastrophic or emergent events such as large-scale natural disasters that would affect the supply and demand in the industry.

INDUSTRY OVERVIEW

ECONOMIC GROWTH OF THE PRC

Rapid Economic Growth and Increasing Income in the PRC

The PRC economy has developed rapidly since the reform and opening up. In 2010, the PRC's nominal GDP surpassed Japan and officially became the second largest economy in the world and has remained so far. According to the ACMR Report, from 2013 to 2018, nominal GDP in the PRC increased from RMB59.3 trillion to RMB90.0 trillion, representing a CAGR of 8.7%. Meanwhile, nominal GDP per capita in the PRC increased from RMB43,684.0 to RMB64,644.0, with an CAGR of 8.2%. From 2019 to 2023, according to the ACMR Report, nominal GDP in the PRC will continue to increase at a CAGR of 8.2%. The annual disposable income per capita increased from RMB18,310.8 in 2013 to RMB28,228.0 in 2018, representing a CAGR of 9.0%. According to the ACMR Report, the level of urbanisation and disposable income per capita will continue increasing from 2019 to 2023. Rapid economic growth and increasing income level is conducive to the future expansion of passenger vehicle market in the PRC.

Overview of the Economy in Guangdong and Zhongshan

Our operations are exclusively focused on the affluent region, in Zhongshan, Guangdong province. Guangdong province is one of the regions with the highest level of economic development in the PRC. From 2013 to 2018, the nominal GDP of Guangdong province increased from RMB6.2 trillion to RMB9.7 trillion, representing a CAGR of 9.3%, as a share of the PRC's nominal GDP increasing from 10.5% to 10.8%. In 2018, nominal GDP of Guangdong province ranked the first in the PRC. From 2013 to 2018, the nominal GDP per capita in Guangdong province increased from RMB58,833.0 to RMB86,412.0, representing a CAGR of 8.0%. Meanwhile, the annual disposable income per capita of Guangdong province increased from RMB23,420.8 in 2013 to RMB35,809.9 in 2018, representing a CAGR of 8.9%. According to the ACMR Report, the nominal GDP of Guangdong province as well as the income level of Guangdong residents will continue growing rapidly in the period from 2019 to 2023.

Zhongshan is one of the major cities with a high level of economic development in Guangdong province. From 2013 to 2018, the nominal GDP of Zhongshan increased from RMB265.2 billion to RMB363.3 billion, representing a CAGR of 6.5%, as a share of nominal GDP of Guangdong province decreasing from 4.2% to 3.7%. In 2018, Zhongshan ranked the sixth in Guangdong province in terms of nominal GDP. From 2013 to 2018, nominal GDP per capita in Zhongshan increased from RMB83,804.0 to RMB110,585.0, with a CAGR of 5.7%, higher than the average level of Guangdong province and national average. Meanwhile, the annual disposable income per capita of Zhongshan increased from RMB30,245.90 in 2013 to RMB46,865.0 in 2018, representing a CAGR of 9.2%. According to the ACMR Report, benefiting from the steady development of the economy, the annual disposable income per capita of Zhongshan residents will continue increasing in the period from 2019 to 2023.

PASSENGER VEHICLE MARKET IN THE PRC

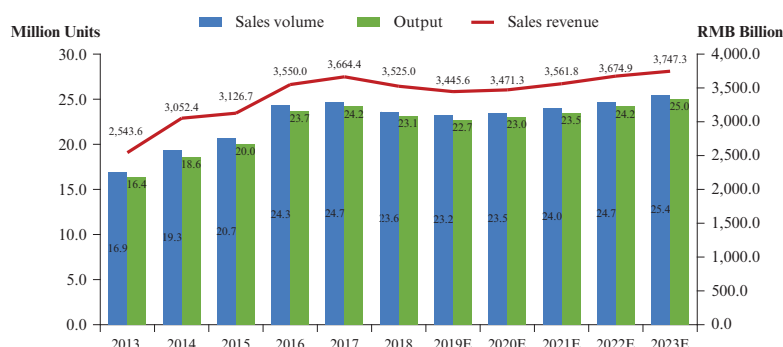
Overview of the Passenger Vehicle Market in the PRC

According to the ACMR Report, in 2009, sales volume of new passenger vehicles in the PRC reached 8.8 million units, becoming the largest new passenger vehicle market in the world.

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From 2013 to 2018, sales volume of new passenger vehicles in the PRC increased from 16.9 million units to 23.6 million units, representing a CAGR of 6.9%. Meanwhile, sales revenue of new passenger vehicles in the PRC increased from RMB2,543.6 billion to RMB3,525.0 billion, with a CAGR of 6.7%.

Sales Volume, Output^(Note 1) and Sales Revenue of New Passenger Vehicles in the PRC



Source: China Automotive Industry Yearbook, China Association of Automobile Manufacturers, ACMR

Note:

1. Output refers to the production volumes of passenger vehicles in the PRC.

Policy Restrictions on Automotive Industry in the PRC

According to the ACMR Report, seven cities in the PRC, including Shanghai, Beijing, Guiyang, Guangzhou, Tianjin, Hangzhou and Shenzhen, have implemented the restriction policies on purchase of passenger vehicles in recent years, in order to alleviate urban traffic congestion. Also, Hainan province started to implement the vehicle purchase restriction policy since May 2018. According to the ACMR Report, the implementation of such policies mainly affects the regional passenger vehicle markets where the purchase restriction policies are implemented, and has little impact on the overall passenger vehicle market in the PRC. Currently, there are no such vehicle purchase restriction policies in Zhongshan, therefore, policy restrictions on automotive industry in the PRC has no impact on our Group's business operations.

Significant Growth Potential of the PRC Passenger Vehicle Market

According to the ACMR Report, despite rapid growth, the passenger vehicle market in the PRC is still in its early stage of development, and its penetration rate is still low. In 2018, the global penetration rate of passenger vehicles was about 13.9%, which represents the number of passenger vehicles per 100 residents. From 2013 to 2018, the PRC penetration rate of passenger vehicles increased from 7.5% to 13.6%, yet it is still lower than the global average and major development countries, indicating significant potential for future growth of the PRC passenger vehicle market.

According to the ACMR Report, sales volume of new passenger vehicles in the PRC is expected to decrease approximately 1.7% to 23.2 million units in 2019. However, with stable economic growth, increasing income level of residents and further upgrading of consumption structure, sales volume of new passenger vehicles in the PRC is expected to rebound from 2020 to 2023. According to the ACMR Report, from 2019 to 2023, sales volume of new passenger vehicles in the PRC is expected to increase at a CAGR of 2.3%, and sales revenue of new passenger vehicles in the PRC will increase from RMB3,445.6 billion to RMB3,747.3 billion, with a CAGR of 2.1%.

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Overview of the Passenger Vehicle Market in Guangdong and Zhongshan

According to the ACMR Report, Guangdong province has a high level of economic development and has always been one of the traditional passenger vehicle market in the PRC. From 2013 to 2018, the registration number of new passenger vehicles in Guangdong province increased from 1.3 million units to 2.2 million units, representing a CAGR of 11.2%, as a share of total registration number of new passenger vehicles in the PRC rising from 8.4% to 10.3%. Meanwhile, sales revenue of new passenger vehicles in Guangdong province increased from RMB213.3 billion to RMB362.2 billion, representing a CAGR of 11.2%. From 2013 to 2018, Guangdong province was the largest passenger vehicle market in the PRC, the largest passenger vehicle market in Middle South region in terms of the registration number of new passenger vehicles, and also the largest production base of passenger vehicles in terms of output. According to ACMR Report, passenger vehicle market in Guangdong province is expected to continue to grow steadily in the future.

Zhongshan is one of the important passenger vehicle markets in Guangdong province, according to the ACMR Report. From 2013 to 2018, the registration number of new passenger vehicles in Zhongshan increased from 73,000 units to 140,000 units, representing a CAGR of 13.9%, higher than the average level of Guangdong province of 11.2% and national average of 6.9%. Meanwhile, share of the registration number of new passenger vehicles of Zhongshan in Guangdong province increased from 5.8% to 6.5%. In the same period, sales revenue of new passenger vehicles in Zhongshan increased from RMB12.3 billion to RMB23.7 billion, with a CAGR of 14.0%. Passenger vehicle market in Zhongshan is expected to continue to grow rapidly in the following years.

According to the ACMR Report, the promotion of Guangdong-Hong Kong-Macau Greater Bay Area and the completion of Shenzhen-Zhongshan Bridge will promote the further improvement of the transportation facilities in Guangdong province and Zhongshan as well as strengthening the interconnection among regions, which will promote the rapid and sustained economic growth of Guangdong province and Zhongshan, and drive the growth of passenger vehicle market in Guangdong province and Zhongshan. According to the ACMR Report, from 2019 to 2023, the registration number of new passenger vehicles in Guangdong province will increase from 2.2 million units to 2.5 million units, with a CAGR of 3.3%. In the same period, the registration number of new passenger vehicles in Zhongshan will increase from 141,000 units to 169,000 units, with a CAGR of 4.6%.

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MARKET SEGMENTATION

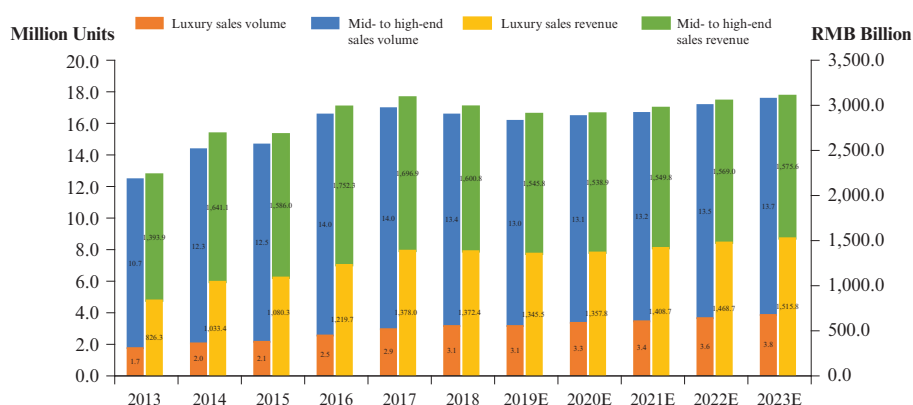
There is no uniform standard used to classify the segments of passenger vehicle market in the PRC. The ACMR Report divides passenger vehicle market in the PRC into four segments, based on, among other things, brand positioning, quality, functionality and price range. The segments are (i) ultra-luxury, (ii) luxury, (iii) mid- to high-end and (iv) low-end brands, and are commonly used in the industry.

Segment	Representative brands	Indicative price range (RMB)
Ultra-luxury	Bentley, Lamborghini, Porsche, Rolls-Royce	Over 1 million
Luxury	Audi, BMW, Mercedes-Benz, Jaguar Land Rover, Cadillac, Volvo	300,000 to 1 million
Mid- to high-end	Volkswagen, Nissan, Toyota, Honda, Buick, Hyundai	80,000 to 300,000
Low-end	BYD, Chery, Geely, Changan, JAC	Less than 80,000

Growths of the Mid- to High-end and Luxury Passenger Vehicle Market

According to the ACMR Report, the mid- to high-end passenger vehicle market in the PRC has always been the largest segment among all segments, with over 50% market share. From 2013 to 2018, sales volume of mid- to high-end brands increased from 10.7 million units to 13.4 million units, representing a CAGR of 4.6%. Meanwhile, sales volume of luxury brands increased from 1.7 million units in 2013 to 3.1 million units in 2018, representing a CAGR of 13.3%. According to ACMR, sales volumes of mid- to high-end and luxury brands will continue increasing from 2019 to 2023, at CAGRs of 1.2% and 4.8% respectively.

Sales of Mid- to High-end and Luxury Passenger Vehicles in the PRC



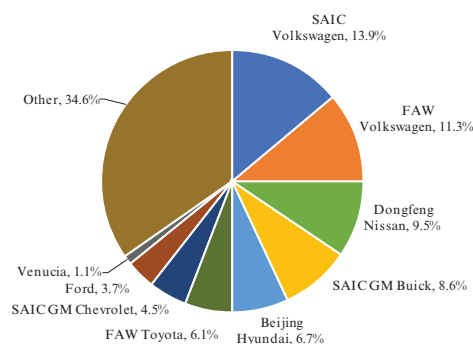
Source: ACMR

From 2013 to 2018, SAIC Volkswagen has always been the brand with the largest market share in the mid- to high-end passenger vehicle market in the PRC. In 2018, the top five brands accounted for 50.0% of total sales volume of the segment. Among these brands, SAIC Volkswagen had the largest market share of 13.9%, followed by FAW Volkswagen, Dongfeng Nissan, SAIC GM Buick

INDUSTRY OVERVIEW

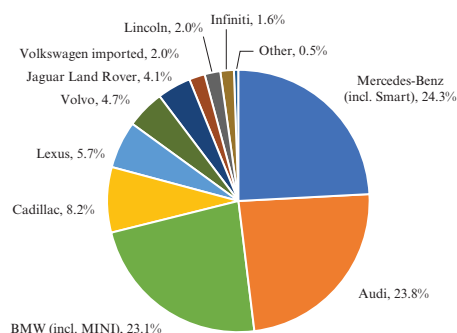
and Beijing Hyundai, with market shares of 11.3%, 9.5%, 8.6% and 6.7% respectively. According to the ACMR Report, the luxury passenger vehicle market in the PRC has a high level of concentration. In 2018, the top five brands accounted for 85.1% of total sales volume of the segment. Among these brands, Mercedes-Benz (including Smart) had the largest market share of 24.3%, followed by Audi, BMW (including Mini), Cadillac and Lexus, with market shares of 23.8%, 23.1%, 8.2% and 5.7% respectively.

Breakdown of Mid- to High-end Passenger Vehicle Market in 2018



Source: ACMR

Breakdown of Luxury Passenger Vehicle Market in 2018



Source: ACMR

According to the ACMR Report, Dongfeng Nissan, GAC Honda and FAW Toyota have always been the top three brands in terms of market shares in the mid- to high-end passenger vehicle market in Guangdong province. From 2013 to 2018, the concentration level of mid- to high-end passenger vehicle market in Guangdong province has increased, with a joint market share of top five brands increasing from 52.8% to 61.3% in terms of sales volume. In 2018, the top five brands were all Japanese brands, including Dongfeng Nissan, GAC Honda, FAW Toyota, GAC Toyota and Dongfeng Honda, accounting for 61.3% of total sales volume of the segment. According to the ACMR Report, the luxury passenger vehicle market in Guangdong province has a higher level of market concentration. From 2013 to 2018, the joint market share of top five luxury brands in terms of sales volume decreased from 87.6% to 84.8% in Guangdong province. In 2018, the top five brands in terms of market shares in the luxury passenger vehicle market in Guangdong province were Mercedes-Benz (including Smart), BMW (including Mini), Audi, Lexus and Jaguar Land Rover, accounting for 84.8% of total sales volume of the segment.

According to the ACMR Report, the market share of top five brands in the mid- to high-end passenger vehicle market decreased from 53.7% in 2013 to 46.8% in 2018 in Zhongshan, in terms of sales volume. Dongfeng Nissan, GAC Honda, GAC Toyota, FAW Toyota and Dongfeng Honda were the top five brands in the mid- to high-end passenger vehicle market in Zhongshan in 2018, with market shares of 13.0%, 11.5%, 8.3%, 7.8% and 6.2% respectively. The concentration level of luxury passenger vehicle market in Zhongshan is also higher. From 2013 to 2018, the market share of top five luxury brands decreased from 89.9% to 85.8% in the segment in Zhongshan. The top five brands in terms of market shares in the luxury passenger vehicle market in Zhongshan in 2018 were Mercedes-Benz (including Smart), BMW (including Mini), Audi, Lexus and Jaguar Land Rover, accounting for 85.8% of total sales volume of the segment.

According to the ACMR Report, from 2019 to 2023, due to increasing income levels of local residents, further upgrading of consumption structure and increasing supply of luxury vehicle models, etc., the concentration level of luxury passenger vehicle market in Guangdong province and Zhongshan will decrease. The market shares of top five brands of this segment will decrease from

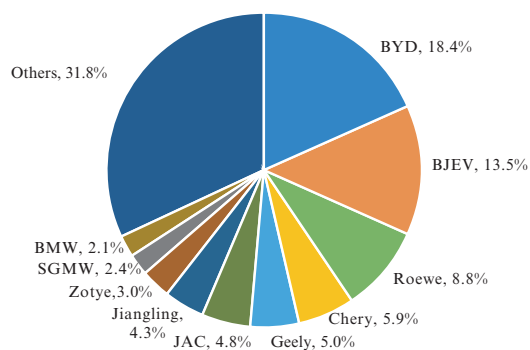
INDUSTRY OVERVIEW

84.1% to 80.3% in Guangdong province and from 85.3% to 81.4% in Zhongshan, respectively, in terms of sales volume. Meanwhile, the concentration level of the mid- to high-end passenger vehicle market will increase due to the intensifying market competition, in both Guangdong province and Zhongshan. The market shares of top five brands of this segment will increase from 62.4% to 64.8% in Guangdong province and from 47.3% to 50.6% in Zhongshan, respectively, in terms of sales volume.

Significant Growth of New Energy Passenger Vehicles in the PRC

According to the ACMR Report, new energy vehicle has been an important development strategy for the PRC automotive industry. From 2013 to 2018, the sales volume of new energy passenger vehicles in the PRC increased significantly from 13,000 units to 1,053,000 units, representing a CAGR of 140.8%. In 2018, in terms of sales volume, BYD was the largest brand with market share of 18.4%, followed by BJEV, Roewe, Chery and Geely, with market shares of 13.5%, 8.8%, 5.9% and 5.0%, respectively. According to the ACMR Report, the sales volume of new energy passenger vehicles will increase from 1,443,000 units in 2019 to 3,274,000 units in 2023, representing a CAGR of 22.7%.

Breakdown of New Energy Passenger Vehicle Market in 2018



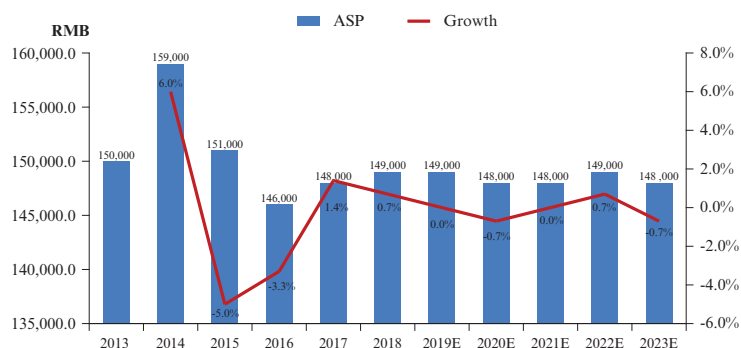
Source: CPCA, ACMR

Decreasing Average Selling Prices of Passenger Vehicles in the PRC

According to the ACMR Report, the average selling price of passenger vehicles in the PRC has decreased slightly from RMB150,000 in 2013 to RMB149,000 in 2018, at a CAGR of 0.1%, due to the intensified competition and increasing market share of low-end brands with lower prices. Average selling prices of mid- to high-end and luxury passenger vehicles decreased at CAGRs of 1.8% and 2.4% respectively from 2013 to 2018. According to the ACMR Report, the average selling price of passenger vehicles in the PRC will decrease at a CAGR of 0.2% from 2019 to 2023, and average selling prices of mid- to high-end and luxury passenger vehicles will decrease at CAGRs of 0.6% and 1.7% respectively in the same period. According to the ACMR Report, the average selling price of passenger vehicles in the Guangdong and Zhongshan market has limited difference from the passenger vehicle market in the PRC.

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Average Selling Price of Passenger Vehicles in the PRC



Source: ACMR

AFTER-MARKET OF PASSENGER VEHICLE IN THE PRC

According to the ACMR Report, the after-market of passenger vehicles refers to various services derived from the sales of passenger vehicles, including after-sales services, used vehicles, vehicle loans, motor vehicle insurance, etc.

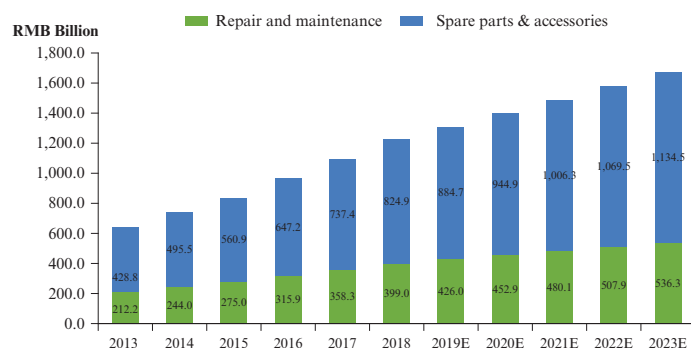
Significant Growth of After-sales Services Market

According to the ACMR Report, passenger vehicle after-sales services market, which principally includes after-sales repair and maintenance as well as sales of spare parts and accessories, is driven by the rapid growth of the stock of passenger vehicles in the PRC. From 2013 to 2018, the size of after-sales services market of passenger vehicles in the PRC increased from RMB641.0 billion to RMB1,223.9 billion, representing a CAGR of 13.8%. Revenue from repair and maintenance services increased at a CAGR of 13.5%, and revenue from sales of spare parts and accessories increased at CAGR of 14.0%.

The demand for after-sales services is usually the largest when a passenger vehicle is used between four to nine years, according to the ACMR Report. As of 2018, passenger vehicles which have been used for over three years accounted for over 60% of the total, indicating the number of passenger vehicles need repair and maintenance services has increased significantly. From 2019 to 2023, the size of after-sales services market of passenger vehicles will continue to increase rapidly, from RMB1,310.7 billion to RMB1,670.8 billion, representing a CAGR of 6.3%, due to the fast growth of passenger vehicle market and increasing stock of passenger vehicles in the PRC. Revenue from repair and maintenance as well as sales of spare parts and accessories will increase at CAGRs of 5.9% and 6.4% respectively.

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Size of After-sales Services Market in the PRC



Source: ACMR

Rapid Growth of the Used Passenger Vehicle Market

According to the ACMR Report, the trading volume of used passenger vehicles in the PRC increased from 3.5 million units in 2013 to 10.5 million units in 2018, representing a CAGR of 24.3%. However, in contrast to the countries with mature passenger vehicle market, the used passenger vehicle market in the PRC is still in the initial state of development, according to the ACMR Report. From 2019 to 2023, ACMR forecasts the trading volume of used passenger vehicles in the PRC will increase from 11.6 million units to 18.3 million units, representing a CAGR of 12.0%.

Trading Volume of Used Passenger Vehicles in the PRC



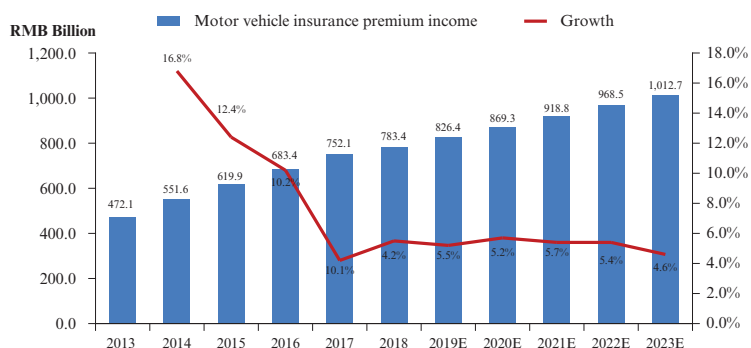
Source: ACMR

Significant Growth of Motor Vehicle Insurance Market in the PRC

According to the ACMR Report, motor vehicle insurance market in the PRC realised significant growth in recent years, driven by the fast expansion of passenger vehicle market in the PRC as well as the growth in stock of passenger vehicles. From 2013 to 2018, the premium income from motor vehicle insurance increased from RMB472.1 billion to RMB783.4 billion, representing a CAGR of 10.7%. The motor vehicle insurance market in the PRC is expected to continue expanding in the following years, according to the ACMR Report. From 2019 to 2023, the premium income from motor vehicle insurance increased from RMB826.4 billion to RMB1,012.7 billion, representing a CAGR of 5.2%.

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Premium Income from Motor Vehicle Insurance in the PRC



Source: National Bureau of Statistics, China Insurance Regulatory Commission, ACMR

THE PASSENGER VEHICLE DEALERSHIP MARKET IN THE PRC

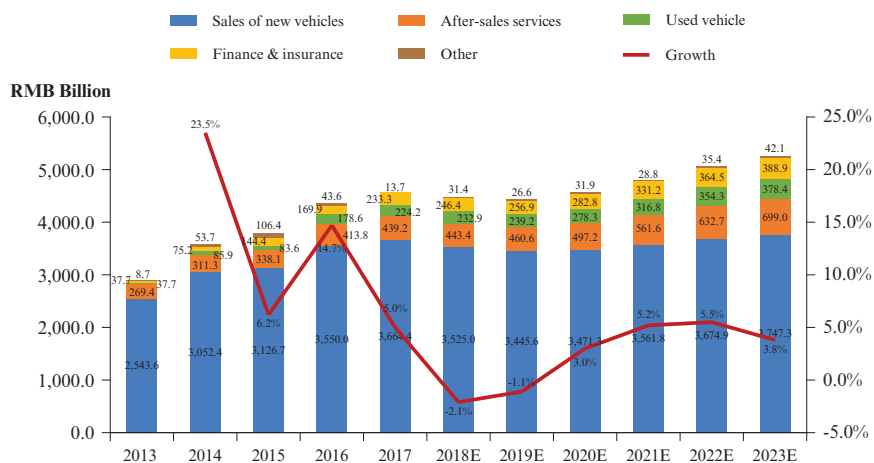
Authorised Dealers Dominate the Passenger Vehicle Dealership Market

According to the ACMR Report, the 4S dealership has become the dominant platform for retailing passenger vehicles in the PRC, since the Measures for the Implementation of Management of Vehicle Brand Marketing (《汽車品牌銷售管理實施辦法》) in April 2005. On 1 July 2017, the Measures for the Administration of Sales (《汽車銷售管理辦法》) was put into implementation, it is no longer necessary to require the authorisation of vehicle brands to retail motor vehicles. New forms of motor vehicle retailers have emerged, e.g., motor vehicle supermarkets, motor vehicle stores, motor vehicle e-commerce, etc. However, currently those new forms of retailers still purchase passenger vehicles from existing authorised dealerships, and only utilise this as an opportunity to develop derivative businesses, e.g., vehicle financing, etc. Therefore, authorised dealerships are expected to continue to dominate the passenger vehicle dealership market in the PRC.

According to the ACMR Report, total revenue of passenger vehicle dealership market in the PRC increased from RMB2,897.0 billion in 2013 to RMB4,479.1 billion in 2018, representing a CAGR of 9.1%. In 2018, about 78.7% of the revenue came from sales of new passenger vehicles, 9.9% from after-sales services, 5.2% from used vehicle business and 5.5% from vehicle finance and insurance business, according to ACMR Report. ACMR expects the total revenue of passenger vehicle dealership market in the PRC will increase from RMB4,428.8 billion in 2019 to RMB5,255.7 billion in 2023, representing a CAGR of 4.4%.

INDUSTRY OVERVIEW

Total Revenue of Passenger Vehicle Dealerships in the PRC



Source: ACMR

Incentive Rebates from Automobile Manufacturers

Incentive rebates refer to the incentives of cash or equivalent provided by automobile manufacturers to authorised dealerships according to certain criteria. Incentive rebates are generally used by automobile manufacturers, not only in motor vehicle dealership industry, as a tool to increase market shares and achieve sales targets. automobile manufacturers generally develop rebate schemes to reward dealers that meet certain conditions to stimulate sales. This is a common practice in the PRC passenger vehicle dealership market. The incentive schemes usually vary amongst different brands of automobile manufacturers. However, these incentive rebates are generally determined by multiple factors, including the purchase and sales volumes of new vehicles of authorised dealerships, customer satisfaction and other metrics set by automobile manufacturers depending on their policies.

According to the ACMR Report, an automobile manufacturer would apply an identical incentive policy, including the respective rebate rate for the different metrics, to its dealers across the country or the relevant region. The degree of dependence of incentive rebates of authorised dealerships is closely related to the automobile manufacturers' sales strategies and market condition, including the growth and development of the passenger vehicle market in the PRC. Therefore, it is not uncommon for the authorised dealers to receive significant amount of incentive rebates during the time when the automobile manufacturers aim to boost their sales, increase their market share, and/or when market condition is unfavourable. Further, since it is a market practice for the automobile manufacturers to determine their own rebate policies and practices, the level of reliance of an authorised dealer on incentive rebates is directly related to its brand portfolio during the relevant time.

Competitive Landscape in Guangdong and Zhongshan Passenger Vehicle Dealership Market

According to the ACMR Report, we are one of the leading passenger vehicle dealership groups in Guangdong province in 2018, in terms of comprehensive considerations from company profitability, growth potential, scale, industry influence, consumer reputation, etc. Also, we are the largest passenger vehicle dealership group in Zhongshan, in terms of the number of 4S dealership outlets, as of 31 December 2018.

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Top 5 Passenger Vehicle Dealership Groups in Zhongshan (as of 31 December 2018)

Ranking	Dealership Group	Business Description	No. of 4S Dealership Outlets
1	Our Group	Our Group mainly engages in the sales of motor vehicles (both new and used vehicles) and other integrated auto services covering repair services (including repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services.	13
2	Group A	Group A mainly engages in the businesses of sales of motor vehicles, repair and maintenance services, motor vehicle insurance services, car rental and driving school, etc.	11
3	Group B	Group B mainly engages in sales of new vehicles, repair and maintenance services, used-vehicle replacement and spare part sales, etc.	8
4	Group C	Group C mainly engages in the industrial sectors of food and entertainment, auto services, motor vehicle inspection services, driving test training, property leasing and cultural integration.	6
4	Group D	Group D mainly engages in the businesses of sales of motor vehicles and repair and maintenance services, etc.	6

Source: ACMR

We are one of the largest dealership groups in Guangdong province where we focus our business in terms of the number of Dongfeng Nissan 4S dealership outlets as of 31 December 2018 according to the ACMR Report.

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Top 7 Dongfeng Nissan Dealership Groups in Guangdong province (as of 31 December 2018)

Ranking	Dealership Group	Business Description	No. of 4S Dealership Outlets
1	Group E	Group E mainly engages in the businesses of sales of motor vehicles and services, vehicle financing, insurance agency, used vehicles, international trade, vehicle logistics, accessories, auto parts, e-commerce, media and property management, etc.	25
2	Group F	Group F is a comprehensive group covering both the automotive and financial businesses.	11
3	Our Group	Our Group mainly engages in the sales of motor vehicles and other integrated auto services covering repair services (including repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services.	5
4	Zhongsheng Group Holdings Limited	Zhongsheng Group is a national dealership group and mainly engages in the provision of sales of motor vehicles, spare parts, accessories, repair and maintenance services, detailing services and other products and services. This enterprise is a company listed in the Stock Exchange (stock code: 0881).	4
4	Dah Chong Hong Holdings Limited	Dah Chong Hong Holdings mainly engages in the motor vehicles, food, healthcare and electrical appliances industries. This enterprise is a company listed in the Stock Exchange (stock code: 1828).	4
4	Group I	Group I mainly engages in real estate development, trade of motor vehicles, cultural and sports tourism, etc.	4
4	Group J	Group J mainly engages in the sales of motor vehicles, repair and maintenance services, spare parts supply, motor vehicle rental and used-vehicle trading, etc.	4

Source: ACMR

According to the ACMR Report, we have leading positions in Zhongshan market in the authorised brands we have. In 2018, our market share of Dongfeng Nissan in Zhongshan (based on registration number of new passenger vehicles) was 75.5%, our market shares of FAW Toyota, FAW Volkswagen, Beijing Hyundai, Buick and Chevrolet were 29.3%, 42.6%, 81.4%, 29.9% and 52.6% respectively. We are also the sole dealership of Dongfeng Venucia in Zhongshan by the end of 2018.

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Our Market Shares in Zhongshan Market

	2016	2017	2018
Dongfeng Nissan	72.6%	70.6%	75.5%
FAW Toyota	28.8%	29.1%	29.3%
FAW Volkswagen	41.5%	42.5%	42.6%
Beijing Hyundai	77.9%	77.0%	81.4%
Dongfeng Venucia	100.0%	100.0%	100.0%
Buick	25.1%	29.7%	29.9%
Chevrolet	51.8%	52.6%	52.6%

Source: ACMR

From 2019 to 2023, due to the further intensified competition of the passenger vehicle dealership market in Zhongshan, large-scale passenger vehicle dealerships will actively enlarge business scale and extend service scope to increase market competitiveness and improve overall profitability by mergers and acquisitions and/or establishing new stores. Therefore, the concentration level of the passenger vehicle dealership market in Zhongshan will increase from 2019 to 2023, with market share of top five passenger vehicle dealership groups increasing from 32.2% to 34.3% in terms of number of 4S dealership outlets.

Competitive Landscape of After-market of Passenger Vehicles in Zhongshan

According to the ACMR Report, from 2013 to 2018, the revenue of after-sales services market of passenger vehicle in Zhongshan increased from RMB2.8 billion to RMB5.8 billion, representing a CAGR of 15.7%. In 2018, major participants in after-market of passenger vehicle in Zhongshan were 4S dealerships, first- and second-class maintenance companies, quick fix service enterprises and others including large-scale body & paint workshops and franchised motor vehicle beauty stores, with market shares of approximately 50%, 30%, 15% and 5% respectively, in terms of sales revenue. According to the ACMR Report, we are the largest enterprise with market share of 4.2% in 2018 in the after-market of passenger vehicle in Zhongshan in terms of sales revenue. From 2019 to 2023, the revenue of after-sales services market of passenger vehicles in Zhongshan will continue increasing from RMB6.3 billion to RMB8.2 billion, with a CAGR of 7.1% benefiting from increasing number of passenger vehicles in Zhongshan. According to the ACMR Report, from 2019 to 2023, the 4S dealerships will continue to dominate the after-sales services market of passenger vehicles in Zhongshan, and the quick fix service enterprises will develop rapidly with increasing market shares and form as a complementary of 4S dealerships due to better convenience and price.

According to the ACMR Report, benefiting from the promotion of Guangdong-Hong Kong-Macau Greater Bay Area and completion of Shenzhen-Zhongshan Bridge, steady growth of residents' income, further upgrading of consumption structure of residents and increasing stock of passenger vehicles, the passenger vehicle market and after-sales services market in Zhongshan will continue to increase rapidly from 2019 to 2023. With rich experience and leading position in local market, we will continue to benefit from the increasing passenger vehicle market and after-sales services market in Zhongshan.

Market Drivers of Passenger Vehicle Dealership in the PRC

According to the ACMR Report, market drivers of passenger vehicle dealerships in the PRC mainly include (i) rapid growth of macro economy and improving income levels in the PRC, (ii) favourable regulations and policies in the industry, (iii) enrichment of product portfolio and (iv) improving acceptance of vehicle purchase by loans or financing lease, etc.

(i) Rapid growth of macro economy and improving income levels

Rapid growth of macro economy and improving income levels in the PRC will promote the consumption of passenger vehicles. From 2013 to 2018, the average real GDP growth in the PRC reached 7.0%, much higher when compared with the global average in the same period. Meanwhile, annual disposable income per capita of the PRC's residents increased from RMB18,310.8 to RMB28,228.0, at a CAGR of 9.0%. Rapid growth of macro economy and improving income levels have enable more consumers are able to afford passenger vehicles in the PRC, which stimulate the market demand of passenger vehicle dealerships.

(ii) Favourable regulations and policies

Policies from the government are also one of the important drivers of the market. In July 2017, the new *Measures for the Administration of Automobile Sales* (《汽車銷售管理辦法》) was implemented, requiring that manufacturers shall not restrict vehicle transactions among dealerships of the same brand, which enables dealers to resell vehicles to sub-dealers to balance inventory levels. The implementation of such policy will improve the operating conditions and promote the sustainable development of the passenger vehicle dealership market. In December 2018, The Vehicle Purchase Tax Law in the PRC (《中華人民共和國車輛購置稅法》) was issued and will be put into operation since 1 July 2019, which stipulates that the vehicle purchase tax rate is 10%, except five types of vehicles exempt from vehicle purchase tax. Further change of vehicle purchase tax must be approved by the National People's Congress. In the long run, the formal regulation of the vehicle purchase tax will stabilise the rate of the vehicle purchase tax, and purchase of vehicles by consumers will not be affected by the frequent changes of vehicle purchase tax rate, which will create a stable market consumption environment. Passenger vehicle dealerships are able to avoid the market fluctuations caused by changes of vehicle purchase tax rate. Therefore, the Vehicle Purchase Tax Law is helpful for healthy and stable development of passenger vehicle dealerships in the PRC. In January 2019, the Implementation Plan on Further Optimising Supply and Promoting Steady Growth of Consumption to Form a Strong Domestic Market (2019) (《進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案(2019年)》) was launched, multiple measures have been taken to increase passenger vehicle market in the PRC, including orderly promoting the scrap of old motor vehicles, driving the replacement of motor vehicles in rural market and accelerating the boom of used vehicle market, etc. In August, 2019, State Council of the PRC issued Opinion on Accelerating the Development of Circulation and Promoting Consumption (《國務院辦公廳關於加快發展流通促進商業消費的意見》). Several opinions have been provided to unleash the consumption potential of automobiles in the PRC, e.g., encouraging cities with automobile purchase restrictions to launch measures that gradually reduce or cancel purchase restrictions, supporting the purchase of new energy vehicles, promoting the circulation of used vehicles, encouraging financial institutions to provide credit support for the purchase of new energy vehicles, etc.

(iii) Enrichment of product portfolio

Enrichment of product portfolio is expected to stimulate the market demand of passenger vehicle dealerships. In recent years, due to the increasing income levels and changing consumption concepts, requirements of passenger vehicle consumers has increased, which featured as diversified and personalized needs. In order to attract more consumers and increase market shares, automobile manufacturers have accelerated to launch new passenger vehicle models. Rich product portfolio will help passenger vehicle dealerships to provide consumers with more options and meet various requirements from different consumer groups, which further more stimulate market demand and promote the growth of passenger vehicle dealerships.

(iv) Improving acceptance of vehicle purchase by loans or financing lease

Loans or financing lease will provide an easier means to purchase a vehicle for consumers instead of making full payment. The acceptance of vehicle purchase by loans or financing lease in the PRC has improved significantly in the recent years. From 2013 to 2018, the share of new passenger vehicles sold by loans or financing lease in total sales has increased from 19.5% to 30.3%. With the young generation becoming the major consumer group of passenger vehicles, improving acceptance of vehicle purchase by loans or financing lease will promote the development of passenger vehicle dealerships.

High Level of Barriers to Entry

According to the ACMR Report, the passenger vehicle dealership industry in the PRC has a relatively high level of barriers to entry, e.g. capital, human resources, authorisations from automobile manufacturers, etc. Market participants in the passenger vehicle dealership industry mainly compete on brand portfolio, service quality, vehicle models, vehicle prices, etc.

FUTURE OPPORTUNITIES OF THE PASSENGER VEHICLE MARKET IN THE PRC

Rapid Growth of the Passenger Vehicle Market in Third- and Fourth-Tier Cities

According to the ACMR Report, sales growth of passenger vehicles in the PRC has been migrating to third- and four-tier cities, due to the rapid economic development of third- and four-tier cities as well as the gradually increasing passenger vehicle penetration rates in first- and second-tier cities. From 2013 to 2018, the registration number of new passenger vehicles in third- and four-tier cities increased at CAGRs of 7.8% and 7.4%, respectively, higher than the 4.0% and 6.3% CAGRs in first- and second-tier cities. The aggregate number of new passenger vehicle registered in third- and four-tier cities increased from 59.6% in 2013 to 61.5% in 2018, and will further increase rapidly in the following years, according to the ACMR Report.

Increasing Passenger Vehicles on Roads will Boost Demand for After-market Services

According to the ACMR Report, the stock of civilian vehicles in the PRC increased from 126.7 million units in 2013 to 231.2 million units in 2018, representing a CAGR of 12.8%, and will continue to increase at a CAGR of 5.2% in the period from 2019 to 2023. The after-market services, e.g., after-sales services, used vehicle trading services, financing services, etc., will develop rapidly benefiting from the increasing stock of civilian vehicles. According to the ACMR Report, from 2019 to 2023, the size of after-sales services market of passenger vehicles will continue to increase rapidly, from RMB1,310.7 billion to RMB1,670.8 billion, representing a CAGR of 6.3%, the trading volume

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of used passenger vehicles in the PRC will increase from 11.6 million units to 18.3 million units, representing a CAGR of 12.0%, and the premium income from motor vehicle insurance increased from RMB826.4 billion to RMB1,012.7 billion, representing a CAGR of 5.2%.

Upgrading of Consumption Structure of Motor Vehicles of Residents in the PRC

According to the ACMR Report, the upgrading of consumption structure of motor vehicles is expected to continue in the PRC, benefiting from the economic growth and the improvement of people's living standards, mainly in aspects of higher-end brands and diversification of vehicle models. From 2019 to 2023, sales volume of new passenger vehicles of mid- to high-end brands will increase at a CAGR of 1.2%, and sales volume of new passenger vehicles of luxury brands will increase at a CAGR of 4.8%.

Accelerating Potential Mergers and Acquisitions of Dealerships

According to the ACMR Report, passenger vehicle market in the PRC has become more mature after years of development. The competition in the 4S dealership industry has intensified significantly in recent years, leading to active mergers and acquisitions in the industry. According to the ACMR Report, there will be great potential growth in mergers and acquisitions of dealerships in the future. In addition to newly establishment of dealership stores, more dealership groups will realise rapid growth and network expansion by mergers and acquisitions. Small dealerships will be forced to quit the market or be acquired by large-scale dealership groups due to the intense competition.

THREATS AND CHALLENGES OF THE PASSENGER VEHICLE MARKET IN THE PRC

Economic Uncertainties May Decelerate the Growth of Passenger Vehicle Market in the PRC

The development of passenger vehicle market in the PRC is closely related to change of macroeconomic growth. Change of economic growth will affect the development of the passenger vehicle industry. If the macroeconomic growth will continue to slow down and the disposable income of residents will decline in the future in the PRC, the vehicle purchases of residents will decrease correspondingly, which will affect the growth of passenger vehicle market in the PRC.

Change of Global Trading Environment May Affect the Structure of Passenger Vehicle Market in the PRC

According to the ACMR Report, since 2018, sino-United States of America trade disputes have intensified, and both countries have tried to gain advantages in negotiation by increasing tariffs on targeted commodities, e.g., since June 2018, the State Council Tariff Commission has repeatedly proposed to increase tariffs on motor vehicles and parts and components originated in the United States of America. The intensification of sino-United States of America trade disputes, especially for the potential increase in tariffs of motor vehicle goods originated in the United States, will increase the importing costs of vehicle products originated from the United States of America and related product market prices, and affect the structure of passenger vehicle market correspondingly in the PRC.

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Growing Popularity of Car Sharing May Decrease Market Demand for Passenger Vehicles

According to the ACMR Report, increasing environmental issues and lower transportation efficiency in cities in the PRC have created a new model of traveling, car sharing, which is a model of car rental where people rent cars for short periods of time, often by the hour. Car sharing benefits individuals who can gain the benefits of private cars without having costs and responsibilities associated with car ownership, which has been popular among young generation. According to the ACMR Report, growing popularity of car sharing in the PRC may decrease the market demand for passenger vehicles.

Decline of Subsidies of New Energy Vehicles

On 26 March 2019, the Notice on Further Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) was issued and implemented, which clarified the subsidy standards and technical requirements of new energy vehicles. According to the Interpretation of Further Adjusting and Improving the Financial Subsidy Policy for New Energy Vehicles of Ministry of Finance (財政部《關於進一步調整完善新能源汽車補貼政策的解讀》), the new energy vehicle subsidies in 2019 will decline by an average of 50% on the basis of that in 2018 and will be cancelled after 2020. The decline of new energy vehicle subsidies may increase purchase costs for consumers, which may negatively influence the sales of new energy vehicles of our Group.

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A summary of the main PRC laws, regulations and rules applicable to our business and operations is set out below.

REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY

The PRC Automobile Industry

On 21 May 2004, National Development and Reform Commission (“**NDRC**”) promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (the “**Policy**”), which became effective on 21 May 2004, and was further amended jointly by the NDRC and Ministry of Industry and Information Technology (“**MIIT**”) on 15 August 2009. The Policy contains provisions relating to the PRC automobile industry’s technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

On 22 December 2011, the MOFCOM promulgated the Guidance Opinion on Promoting the Development of Automobile Circulation Industry under Twelfth Five-Year Plan (關於促進汽車流通業‘十二五’發展的指導意見) (the “**Guidance Opinion**”), which set forth the overall objectives and major tasks for the automobile circulation industry. The Guidance Opinion encourages, the nurturing of large-scale new vehicle and used vehicle dealers, and foreign investment in the automobile distribution network in middle and western China.

On 22 January 2013, twelve central government agencies, including MIIT, NDRC, MOFCOM and CSRC, jointly promulgated the Guidance Opinions on Further Promoting the Acquisitions and Restructuring of Enterprises in the Key Industries (關於加快推進重點行業企業兼併重組的指導意見), which set forth guidelines for nine key industries, including the automobile sector, encouraging domestic and outbound acquisitions and restructuring.

On 6 April 2017, Ministry of Industry and Information Technology, NDRC and Ministry of Science and Technology jointly promulgated the Medium and Long Term Development Planning of Automotive Industry (汽車產業中長期發展規劃) (the “**Planning**”), which is a general and macro regulatory guidance setting forth, the guiding ideology, cardinal principles, objectives, major tasks, supporting measures for the development of automotive industry.

Restrictions on Foreign Investment

According to the Guidance Catalog of Industries for Foreign Investment (revised in 2017) (外商投資產業指導目錄(2017年修訂)) (the “**Catalog**”), which was promulgated jointly the NDRC and the MOFCOM on 28 June 2017 and became effective on 28 July 2017, and the Special Administrative Measures for Foreign Investments Access (Negative List for Admission of Foreign Investments) contained in the Catalog was amended by the Special Administrative Measures for Foreign Investment Access (Negative List) (Edition 2019) (外商投資准入特別管理措施 (負面清單) (2019年版)), which was promulgated jointly by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019, industries for foreign investment are classified into the encouraged foreign investment industry catalogue and foreign investment access special management measures. The business engaged by our Group is not listed in the Negative List.

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The Foreign Investment Law of the PRC (the “**Foreign Investment Law**”, 《中華人民共和國外商投資法》) was adopted by the National People’s Congress of the PRC on 15 March 2019, which shall come into force as of 1 January 2020. Under the Foreign Investment Law, the State shall implement the management systems of pre-entry national treatment and a negative list for foreign investment, according to which the treatment given to foreign investors and their investments during the investment access stage shall be not less favorable than that given to their domestic counterparts, and the State shall give national treatment to foreign investment outside the negative list where special administrative measures for the access of foreign investment in specific fields as stipulated by the State. Besides, the State shall protect foreign investors’ investment, earnings and other legitimate rights and interests within the territory of China in accordance with the law. The State will take measures to prompt foreign investment such as ensuring fair competition for foreign-invested enterprises to participate in government procurement activities, and protection of intellectual property rights of foreign investors and foreign-invested enterprises. In respect of administration of foreign investment, foreign investment shall go through relevant verification and record-filing formalities if required by relevant state laws and regulations. While the organisation form, organisation structure and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the Company Law or the Partnership Enterprise Law of the PRC, if applicable.

Sales of New Vehicles

The sales of new vehicles are subject to the Measures for the Administration of Automobile Sales (汽車銷售管理辦法) (the “**Automobile Sales Measures**”), which was promulgated by the MOFCOM on 5 April 2017, and became effective on 1 July 2017.

The Automobile Sales Measures, allows sales of motor vehicles to be carried out with or without authorised dealership agreements. In addition, it allows the separation of provision of sales of motor vehicles and after sales services by stipulating the automobile manufacturers shall not request the dealers to possess both sales and after-sales functions. Dealers that sell motor vehicles whose sales are not authorised by automobile manufacturers or imported motor vehicles whose sales are not authorised by overseas auto manufacturers, shall issue reminders and explanations to consumers in writing, and inform consumers of the parties bearing relevant responsibilities for consumers in writing. A dealer that is not authorised by an automobile manufacturer or that has its authorisation terminated may not engage in business activities in the name of sales of motor vehicles authorised by the automobile manufacturers. The automobile manufacturers may request the dealers to set up standalone showrooms for its products in order to maintain the brand image of such automobile manufacturers but the automobile manufacturers shall not restrict the automobile dealers to act as dealers of other brands. Where an automobile manufacturer intends to sell motor vehicles by granting authorisation to a dealer, the period of authorisation (excluding the store construction period) shall generally not be shorter than three years on each occasion, provided that the period of first-time authorisation shall generally not be shorter than five years. Upon reaching consensus after consultation, both parties may terminate their authorisation contract ahead of schedule. Unless otherwise agreed under contracts by both parties, an automobile manufacturer shall not sell motor vehicles directly to consumers within the areas where a dealer is authorised to sell the former’s motor vehicles. Dealers shall perform record-filing of the basic information through the national automobile circulation information management system of the competent commerce department of the State Council within 90 days of the receipt date of business licences. Where there is any change to the information concerned, its update shall be made within 30 days of the date of the change.

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Maintenance and Repair Services of Motor Vehicles

According to the Regulations on the Administration of Automobile Maintenance and Repair (機動車維修管理規定) (the “**Automobile Repair Regulations**”), which was promulgated by the Ministry of Transport on 24 June 2005, became effective on 1 August 2005, and was further amended on 8 August 2015, 19 April 2016 and 21 June 2019, an operator shall have suitable facilities, equipment and technical personnel to operate maintenance and repair of motor vehicles business. In addition, an operator shall implement quality management systems and safety procedures, provide training to its technical personnel, maintain proper repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

According to the Regulation of the People’s Republic of China on Road Transport (中華人民共和國道路運輸條例), promulgated by the State Council on 30 April 2004, which became effective on 1 July 2004 and as further amended on 9 November 2012, 6 February 2016 and 2 March 2019, an operator shall file a record with the local department of the Ministry of Transport for providing maintenance and repair of motor vehicles services. To successfully apply for the Road Transport Licence, an applicant shall: (i) have the necessary site to conduct repair of motor vehicles; (ii) possess necessary equipment, facilities and employees; (iii) have adopted sound administrative rules on repairing of motor vehicles; and (iv) have adopted necessary environmental protection measures. On 28 July 2018, the State Council promulgated the Decision of the State Council on Canceling a Batch of Administrative Licensing Items (國務院關於取消一批行政許可等事項的決定) (the “**Decision of the State Council**”), according to which the administrative approval for maintenance and repair of motor vehicles business has been cancelled. According to the Decision of the State Council, after the cancellation of approval for maintenance and repair of motor vehicles business, the Ministry of Transport shall develop, improve and announce the maintenance and repair of motor vehicles business standards, and urge local transport administrative departments to strengthen interim and post event regulation through establishing and improving the record system for maintenance and repair of motor vehicles operation, and publishing relevant information in a timely manner as well as other measures.

Second-hand Sales of Motor Vehicles

Our sales of used vehicles operations is subject to the Measures for the Administration of the Circulation of Second-hand Automobiles (二手車流通管理辦法) (the “**Second-hand Automobile Measures**”), promulgated by the MOFCOM, the Ministry of Public Security, the SAIC and SAT on 29 August 2005, which became effective on 1 October 2005 and amended on 14 September 2017.

Under the Second-hand Automobile Measures, a second-hand automobile dealer shall enter into written contracts with its customers, and provide warranties relating to the quality of the used vehicles and offer arrangements for after-sale services. The Second-hand Automobile Measures also provide for the establishment of a nationwide archival system to keep records of second-hand automobile dealers. Any second-hand automobile dealer that has been legally registered with the relevant administrative department for industry and commerce and obtained the business licence shall report to the commerce authorities at the provincial level for record-filing.

Motor Vehicle Insurance

According to the Regulations on Administration of Concurrent-Business Insurance Agents (保險兼業代理管理暫行辦法) (the “**Concurrent-Business Insurance Regulations**”), promulgated by the China Insurance Regulatory Commission (the “**CIRC**”) on 4 August 2000, which became effective on

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4 August 2000, and was further amended on 3 December 2010, a business, which facilitates insurance coverage that directly relates to its main business to apply for a licence from the CIRC, and to obtain authorisation documentation, subject to the CIRC's supervision, from the insurance companies.

We also earn commissions from insurance companies as a professional insurance agency. As such, our business operations are subject to the Provisions on the Supervision and Administration of Professional Insurance Agencies (保險專業代理機構監管規定) (the “**Professional Insurance Provisions**”) promulgated by the CIRC on 25 September 2009, which became effective on 1 October 2009, and was further amended on 19 October 2015. The Professional Insurance Provisions requires, amongst other things, a professional insurance agency to apply for and obtain a licence from the CIRC before commencing its business.

The General Office of the China Banking and Insurance Regulatory Commission (the CBIRC) has recently issued the Circular on Matters relating to Further Tightened Regulation of Vehicle Insurance (中國銀保監會辦公廳關於進一步加強車險監管有關事項的通知) on 14 January 2019. Aimed at addressing two issues existing in the current vehicle insurance market which are the failure to follow, as required, insurance premium rates set out in clauses of vehicle insurance policies and the untruthfulness of financial data for vehicle insurance business, the Circular proposes the following measures. First, all local branches established by the CBIRC shall, within the scope of their duties, detect, investigate and punish violations in respect of vehicle insurance business committed by property insurance agencies within their respective jurisdiction. Second, the Insurance Association of China shall establish a mechanism to accept and verify complaints and reports against its members, and timely refer clues to any possible violations to the CBIRC's Property Insurance Department. Third, the China Insurance Information Technology Management Co., Ltd. shall institute a mechanism to monitor data related to the practically adopted vehicle insurance premium rates and report any unusual data in a timely fashion to the CBIRC's Property Insurance Department.

Subsidies for New Energy Vehicles

On 28 June 2012, the State Council of PRC issued the The Planning for the Development of the Energy-Saving and New Energy Automobile Industry (2012–2020) (《節能與新能源汽車產業發展規劃 (2012–2020年)》(國發[2012]22號)), granting generous support and subsidies to the electric vehicles and hybrid vehicles.

On 14 July 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularisation and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》(國辦發[2014]35號) to grant further tax incentives and exemptions for electric vehicles, which provides that governmental subsidies shall be extended to consumers purchasing qualified pure electric vehicles, plug-in (including extended-range) hybrid electric vehicles or fuel cell vehicles.

On 22 April 2015, the Ministry of Finance (the “**MF**”), the MIIT, the Ministry of Science and Technology (the “**MST**”), and the NDRC issued Notice on the Financial Support Policy for the Promotion and Application of New Energy Vehicles from 2016 to 2020 (《關於2016–2020年新能源汽車推廣應用財政支持政策的通知》(財建[2015]134號)), specifying the beneficiaries, products and standards of subsidies for new energy vehicles.

In 2016, 2018 and 2019, respectively, the MF, the MIIT, the MST and the NDRC jointly issued the Notice on Adjusting the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles (關於調整新能源汽車推廣應用財政補貼政策的通知), the Notice on Adjusting and

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Perfecting the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles (關於調整完善新能源汽車推廣應用財政補貼政策的通知), the Notice of Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles (關於進一步完善新能源汽車推廣應用財政補貼政策的通知) and its interpretation. Pursuant to the Notice of Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles, local governments may no longer subsidise new energy vehicles (except new energy buses and fuel cell vehicles) after the transitional period.

Vehicle Loans

We obtain financing from banks and financial institutions for our operations, including the purchase of new vehicles to be sold to our customers. Our business operations are subject to the Measures for the Management of Automobile Loans (Revised in 2017) (汽車貸款管理辦法(2017年修訂)) (the “**Loans Measures**”), promulgated by the People’s Bank of China (the “**PBOC**”) and the China Banking Regulatory Commission on 13 October 2017, which became effective on 1 January 2018.

According to the Loans Measures, the term of loans granted to distributors of motor vehicles for purchasing passenger vehicles and space parts shall not be longer than one year. An automobile dealer will be subject to regular credit reviews and inspections conducted by the relevant financial institutions, the frequency of which is not specified in the Loans Measures.

COMPANY LAW

The incorporation and operation of our subsidiaries in China is governed by the Company Law of the People’s Republic of China (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People’s Congress on 29 December 1993, and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The Company Law provides for two general types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of its assets. A shareholder’s liability is limited to the amount of registered capital contributed by such shareholder.

MOTOR VEHICLE RECALLS

The Administrative Provisions on Recall of Defective Automotive Products (缺陷汽車產品召回管理規定) (the “**Recall Rules**”), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (the “**AQSIQ**”), the NDRC, the MOFCOM, and the General Administration of Customs on 12 March 2004, which became effective on 1 October 2004, require all automobile outlets to report defects in motor vehicles and automobile-related products to both the relevant automobile manufacturers and the PRC Government authorities, and to fully cooperate with the automobile manufacturers in the conduct of motor vehicle recall activities and with the PRC Government authorities in any investigations thereto.

Under the Recall Rules, there is a statutory warranty period within which an automobile manufacturer is required to recall a motor vehicle if a relevant defect is discovered in the motor vehicle. This statutory warranty period is the longer of (i) 10 years from the date on which the motor vehicle is delivered to its first owner if the automobile manufacturer fails to clarify the warranty period, and (ii) the usage period specified by the automobile manufacturer. The foregoing does not apply to certain parts and components of the motor vehicles. For example, the Recall Rules provide

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that the statutory warranty period for tyres of motor vehicles shall be three years from the first date of delivery and that the statutory warranty period for non-durable components and parts shall be the relevant usage period specified by the automobile manufacturer.

On 27 November 2015, the AQSIQ, the NDRC, the MOFCOM, and the General Administration of Customs issued Decision on Repealing the Provisions on the Administration of Recall of Defective Auto Products (關於廢止《缺陷汽車產品召回管理規定》的決定) to repeal the Recall Rules, which came into force on 1 January 2016.

On 22 October 2012, the State Council promulgated the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), which became effective on 1 January 2013, and was amended on 2 March 2019 (the “**New Recall Rules**”). In accordance with the New Recall Rules, the sellers shall cease selling defective automobile products upon becoming aware of the defects in the automobile products or receiving the recall plan from the manufacturers. According to the New Recall Rules, for the defective automobile product recalled, a manufacturer shall promptly take measures such as revising or supplementing marks, repair, replacement or return to remove the defect and the manufacturer shall bear the expenses to remove the defect and the necessary costs of transport for the defective automobile product. The New Recall Rules also provide for higher penalty for violations by the sellers. A penalty fine between RMB500,000 to RMB1 million may be imposed on sellers who fail to cooperate with the defect investigation carried out by products quality supervision authorities, and who refuse to make corrections after receiving the orders from products quality supervision authorities; illegal proceeds, if any, shall be confiscated concurrently; in cases of violations, relevant permits shall be revoked by the licensing authorities.

PRODUCT QUALITY

The principal law governing product liability in the PRC is the Product Quality Law of the People’s Republic of China (中華人民共和國產品質量法) promulgated by the Standing Committee of the National People’s Congress on 22 February 1993, and as amended on 8 July 2000 and 27 August 2009 and 29 December 2018.

Pursuant to the Product Quality Law, a seller shall adopt measures to keep products for sale in good quality and comply with regulations regarding the labeling of products, and shall not sell defective or damaged products, forge the origin of a product, forge or falsely use another manufacturer’s authentication marks, or substitute a fake product for a genuine product or a defective product for a high-quality product.

Violation of the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licences and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer, unless any agreement between the retailer and the manufacturer provides otherwise.

CONSUMER PROTECTION

The Consumer Rights and Interests Protection Law of the People’s Republic of China (中華人民共和國消費者權益保護法) (the “**Consumers Protection Law**”) was promulgated on 31 October 1993 and became effective on 1 January 1994. The Consumers Protection Law has been further revised on 27 August 2009 and 25 October 2013. According to the Consumers Protection Law, unless otherwise provided by this law, an operator that provides products or services may bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations. The Tort Law of

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the People's Republic of China (中華人民共和國侵權責任法), promulgated on 26 December 2009 and came into force on 1 July 2010, provides that in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation to the victim. If the defect is caused by the manufacturer, the seller shall be entitled to seek reimbursement from the manufacturer upon compensation to the victim.

GUARANTEES FOR FAMILY CAR PRODUCTS

On 29 December 2012, the General Administration of Quality Supervision, Inspection and Quarantine (the “AQSIQ”) promulgated the Rules on the Liability for Repair, Replacement and Return of Family Car Products (家用汽車產品修理、更換、退貨責任規定), which became effective on 1 October 2013 (the “3R Provisions”).

The 3R Provisions provide for the “three guarantees services” responsibilities of the motor vehicle sellers. After discharging the responsibilities for their “three guarantees services”, the seller is entitled to claim against and seek compensation from the manufacturers or other dealers of family car products if the liabilities are attributable to the manufacturers or other dealers, as the case may be.

According to the 3R Provisions, the repair guarantee period for family car products shall cover no less than three years or a mileage of 60,000 kilometers, whichever comes first; and the three-guarantee period shall cover no less than two years or a mileage of 50,000 kilometers, whichever comes first.

If quality problems with the key components of the engine or the gear box emerge within 60 days from the date of invoice or within the mileage of 3,000 kilometers, whichever comes first, consumers are entitled to free replacement of the engine or the gear box. Within the prescribed guarantee period, consumers may demand for the replacement or return of the family car products if there are serious quality problems such as the cracking of car body, failure of the braking or steering system and fuel leaks, and the seller shall be responsible for free replacement or return.

Also, within the warranty period, consumers are entitled to free replacement or return if, after two repairs, serious safety problems persist or new safety problems emerge. The same applies if quality problems with the engine, gear box or car body are such that normal usage is impossible after two replacements of the assembly concerned; or if normal usage is impossible after two replacements of the same key component of other assemblies or systems expressly specified in the manufacturer's guarantee. The seller shall be responsible for free return or replacement.

Within 15 working days upon a consumer making a demand for replacement, the seller shall provide the consumer with a proof of replacement. Within 15 working days upon a consumer making a demand for return, the seller shall provide the consumer with a proof of return and pay back the invoice price of the car in one lump sum.

In case of violation of the 3R Provisions, the sellers will be punished for illegal activities according to the relevant laws and regulations; if such violations do not constitute an illegal activity, the sellers will be given formal warnings and ordered to make corrections; and in serious cases, the seller will be made to pay fines up to RMB30,000. Any violation of the 3R Provisions will be publicly published.

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WHOLLY FOREIGN-OWNED ENTERPRISES

Under the Wholly Foreign Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法) as amended on 3 September 2016 and the Detailed Implementing Rules for the Wholly Foreign Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法實施細則) as amended on 19 February 2014, an application for establishing a wholly foreign owned enterprise (the “WFOE”) shall be subject to examination and approval by the MOFCOM before the approval certificate is issued.

On 3 September 2016, the Decision of the Standing Committee of the National People's Congress on Revising Four Laws including the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定) (the “**Decision on Revision of Four Laws**”) was promulgated, which became effective on 1 October 2016. On 8 October 2016, MOFCOM published the Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the “**Filings Measures**”) which was last amended on 29 June 2018 and became effective on 30 June 2018. Pursuant to the Decision on Revision of Four Laws and the Filings Measures revised relevant administrative approval provisions of the Wholly Foreign Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法) and other relevant laws, and the relevant formality regime for the establishment and change of foreign-invested enterprises, if the establishment or change of foreign-invested enterprises and enterprises does not involve special access administrative measures prescribed by the Chinese government (the “**Negative List**”), the examination and approval process is now being replaced by the record-filing administration process.

According to the Filings Measures, where the establishment of a foreign-invested enterprise do not fall within the Negative List, the establishment filing information for foreign-invested enterprise shall be submitted together online when such enterprise undergoes establishment registration at the administrative department for industry and commerce and the market regulatory department. Where a non-foreign-invested enterprise is converted into a foreign-invested enterprise due to acquisition, merger or any other means, which falls within the record-filing scope prescribed in the Filings Measures, the establishment filing information for foreign-invested enterprise shall be submitted together online when such enterprise undergoes modification registration at the administrative department for industry and commerce and the market regulatory department. Foreign-invested enterprises which fall within the record-filing scope of the Filings Measures shall file the relevant documents online via the comprehensive administrative system within 30 days upon the occurrence of: a change in the basic information of foreign-invested enterprises or their investors, a change in the basic information about the merger and acquisition transaction of the established foreign-invested enterprises, a change in equity (shares) or cooperation interest, merger, division or dissolution, mortgage or transfer of foreign-invested enterprises' property or rights and interests to external parties.

MERGERS AND ACQUISITIONS

On 8 August 2006, six Chinese governmental and regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors, which became effective on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, which changes the nature of the domestic company into a foreign-invested enterprise; or

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when the foreign investors establish a foreign-invested enterprise in mainland China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, amongst other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by mainland Chinese companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

PROPERTY LAW

The properties we lease and own in the PRC are subject to the Property Law of the People's Republic of China (中華人民共和國物權法), promulgated by the Standing Committee of the National People's Congress on 16 March 2007, and became effective on 1 October 2007. Under the Property Law, any creation, modification, transfer or termination of property rights shall become effective upon registration with the relevant government authorities. The Property Law also contains specific provisions relating to land contractual operation rights, construction land use rights, residential land use rights, easement rights and various security rights.

The Administrative Measures on the Leasing of Commercial Buildings (商品房屋租賃管理辦法) (the "**Leasing Measures**"), promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010, which became effective on 1 February 2011, provide that, amongst other things, illegal constructions may not be leased. Further, the Leasing Measures provide that a lease shall be filed with the local construction (real estate) administrative department. Although the PRC courts have previously ruled that failure to file a lease with the relevant PRC Government authorities does not in and of itself invalidate the lease, fines may be imposed by the local construction (real estate) administrative department for such violation, under the Leasing Measures.

The Land Administration Law of the People's Republic of China (中華人民共和國土地管理法), promulgated by the Standing Committee of the National People's Congress on 25 June 1986, which became effective on 1 January 1987, as amended on 29 August 1998 and 28 August 2004, provides that collectively owned land shall not be used for non-agricultural purposes, and the land administrative authority at or above the county level may impose fines and confiscate the illegal gains from such violation.

REGULATIONS RELATING TO TAXATION

Consumption Tax

Pursuant to the Notice on Adjusting the Policy of Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) promulgated by Ministry of Finance and SAT, which became effective as of 1 September 2008, the consumption tax rate for passenger vehicles with engine displacement capacity of less than 1.0 liter has been reduced from 3% to 1%, whereas the tax rate for vehicles with larger engine displacements has been increased. In particular, the tax rate for vehicles with engine displacement of 3.0 to 4.0 liters increased from 15% to 25%, and the tax rate for vehicles with engine displacement of more than 4.0 liters increased from 20% to 40%.

According to the Vehicle and Vessel Tax Law the People's Republic of China (中華人民共和國車船稅法) as promulgated by the Standing Committee of the National People's Congress effective as of 1 January 2012 and amended on 23 April 2019 and its implementation regulations effective as of 1 January 2012 and amended on 2 March 2019, tax on passenger vehicles is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine

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displacement capacity of 1.0 liter and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 liters ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 liters ranges from RMB3,600 to RMB5,400.

Enterprise Income Tax

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) which became effective on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, and the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax of the People's Republic of China (中華人民共和國企業所得稅法實施條例) on 1 January 2008 (collectively, the “**EIT Law**”). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment institutions or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside mainland China.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as Chinese Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) promulgated by the SAT on 22 April 2009, amended on 8 November 2013 and 29 December 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises”, and gains derived by such investors, which (a) do not have an establishment or place of business in mainland China or (b) have an establishment or place of business in mainland China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within mainland China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our foreign shareholders reside.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Double Tax Avoidance Arrangement**”) promulgated and took effect on 21 August 2006, and other applicable mainland Chinese laws, if a Hong Kong resident enterprise is determined by the competent tax authority in mainland China to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行稅收協定股息條款有關問題的通知) (the “**Notice No. 81**”) issued on 20 February 2009 by the SAT, if the relevant Chinese tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such Chinese tax authorities may adjust the preferential tax treatment.

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Value-added Tax and Business Tax

The Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) were promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994 which were subsequently amended on 5 November 2008 and came into effect on 1 January 2009 and subsequently amended on 6 February 2016 and 19 November 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (Revised in 2011) (中華人民共和國增值稅暫行條例實施細則(2011修訂)) were promulgated by the Ministry of Finance and the SAT on 28 October 2011 and came into effect on 1 November 2011 (collectively, the “VAT Law”). According to the VAT Law, all enterprises and individuals engaged in the sales of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of mainland China must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%. On 4 April 2018, the Ministry of Finance and the SAT promulgated the Notice on Adjusting Value-added Tax Rates (關於調整增值稅稅率的通知), which reduced the tax rates for sale, import, and export of goods.

On 23 March 2016, the Ministry of Finance and the SAT jointly issued the Circular on Full Implementation of Business Tax to Value-added Tax Reform (關於全面推開營業稅改征增值稅試點的通知) (the “Circular 36”) which has been partially repealed on 1 July 2017 and 1 January 2018, confirming that business tax would be completely replaced by VAT from 1 May 2016.

Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for the Exemption of Value-added Tax on Cross-border Taxable Activities under the Collection of Value-added Tax in Lieu of Business Tax (for Trial Implementation) (國家稅務總局關於發布〈營業稅改徵增值稅跨境應稅行為增值稅免稅管理辦法(試行)〉的公告), which was promulgated on 6 May 2016 and amended on 15 June 2018 by the SAT, provides that if a domestic enterprise provides cross-border taxable services such as technology transfer, technical consulting, software service etc., the above mentioned cross-border taxable services shall be exempt from the value-added tax.

Dividend Withholding Tax

The EIT Law provides that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to foreign resident investors who do not have an establishment or place of business in mainland China, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within mainland China.

Pursuant to the Double Tax Avoidance Arrangement, and other applicable Chinese laws, if a Hong Kong resident enterprise is determined by the competent mainland China tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5%. However, based on the Notice No. 81, if the relevant mainland China tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such mainland China tax authorities may adjust the preferential tax treatment. Based on Notice of the State Administration of Taxation on How to Understand and Determine the “Beneficial Owners” in Tax Agreements (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) (the “Notice No. 601”), issued on 27 October 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or

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transferring or accumulating profits, shall not be recognised as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. On 3 February 2018, SAT issued the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties (國家稅務總局關於稅收協定中“受益所有人”有關問題的公告), which became effective on 1 April and “the Notice 601” was repealed simultaneously. The Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties stipulates issues relating to determination of “beneficial owner” status in clauses of tax treaties on dividends, interest and royalties.

FOREIGN EXCHANGE CONTROL

General Administration of Foreign Exchange

Under the Foreign Exchange Administration Rules of the People’s Republic of China (中華人民共和國外匯管理條例), promulgated on 29 January 1996 and last amended on 5 August 2008 by State Council, Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (結匯、售匯及付匯管理規定) promulgated on 20 June 1996 by the PBOC and various regulations issued by the SAFE and other relevant government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within mainland China must be made in Renminbi. Unless otherwise required by SAFE, Chinese companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of mainland China.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the “SAFE Circular No. 59”) promulgated by SAFE on 19 November 2012, that became effective on 17 December 2012 and was further amended on 4 May 2015 and 10 October 2018, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Circular No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On 4 July 2014, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Relevant Issues Relating to Domestic Residents’ Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular No. 37”), effective as of 4 July 2014. Under SAFE Circular No. 37, (1) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an overseas SPV, that is directly established or indirectly controlled by the

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Chinese resident for the purpose of conducting investment or financing; and (2) following the initial registration, the Chinese resident is also required to register with the local SAFE branch for any major change, in respect of the overseas SPV, including, amongst other things, a change in the overseas SPV's resident shareholder in mainland China, name of the overseas SPV, term of operation, or any increase or reduction of the contributions by the Chinese resident, share transfer or swap, and merger or division. Additionally, pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Notice No. 13**”), which was promulgated on 13 February 2015 and became effective on 1 June 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with SAFE Notice No. 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

The Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “**SAFE Circular No. 19**”) was promulgated on 30 March 2015 and became effective on 1 June 2015. According to the SAFE Circular No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration. The Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the “**SAFE Notice No. 16**”) was promulgated and became effective on 9 June 2016. According to the SAFE Notice No. 16, enterprises registered in mainland China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in mainland China. The SAFE Notice No. 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within mainland China unless otherwise specifically provided. Besides, the converted Renminbi shall not be used to make loans for unrelated enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

DIVIDEND DISTRIBUTIONS

The principal laws and regulations regulating the dividend distribution of dividends by foreign invested enterprises in mainland China include the Company Law of the People's Republic of China (中華人民共和國公司法), the Wholly Foreign Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法) and its implementation regulations, the Equity Joint Venture Law of the People's Republic of China (中華人民共和國中外合資經營企業法) promulgated in 1979

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and last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Cooperative Joint Venture Law of the People's Republic of China (中華人民共和國中外合作經營企業法) promulgated in 1988 and last amended in 2017 and its implementation regulations promulgated in 1995 and last amended in 2017. Under the current regulatory regime in mainland China, foreign-invested enterprises in mainland China may pay dividends only out of their accumulated profit, if any, determined in accordance with mainland Chinese accounting standards and regulations. A mainland Chinese company is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A mainland Chinese company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions. The Environmental Protection Law was amended by the Standing Committee of the National People's Congress on 24 April 2014, which strengthens the supervision and regulation on the environmental protection on the national level and imposes stricter punishment on the illegal activities. The amendment became effective on 1 January 2015.

According to the Notice on Print and Distribution of the Interim Provisions on the Administration of Pollutant Discharge Permits* (《關於印發〈排污許可證管理暫行規定〉的通知》) issued by the Ministry of Environmental Protection (the “MEP”) on 23 December 2016, MEP shall implement the sewage licensing management on the discharge of industrial waste gas or toxic and harmful air pollutants stipulated by the state of enterprises, institutions and towns, as well as operating units that operates industrial sewage centralised treatment facilities. MEP shall formulate and publish a list of the classification and management of sewage permit according to the industry, and step by step to promote the management of sewage licence in batches. The pollutant discharging unit shall, within the time limit specified in the directory, discharge sewage with certification, prohibiting discharge without certification or discharge not on the basis of the certification. The Notice was repealed by Circular on Issuing the Commitment Letter Template for the Pollutant Discharge Permit, the Application Form for the Pollutant Discharge Permit and the Format of the Pollutant Discharge Permit (關於發布排污許可證承諾書樣本、排污許可證申請表和排污許可證格式的通知) issued by MEP on 17 August 2018.

According to the Classification and Administration List of Pollutant Discharge Permits for Stationary Pollution Sources (Version 2017)* (《固定污染源排污許可分類管理名錄(2017年版)》) issued by MEP on 28 July 2017 (the “List”), the existing enterprises and public institutions and other producers and operators should apply for pollutant discharge permits within the execution period in accordance with the requirements under the List. Discharge permits for wastewater treatment and reclaimed water treatment (including centralised treatment plants for industrial wastewater, urban residential wastewater treatment plants with a daily treatment capacity of 100,000 tons or more and for urban residential wastewater treatment plants with a daily treatment capacity of less than 100,000 tons), environmental sanitary administration (including centralised treatment

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for residential waste in towns and villages), centralised treatment for residential wastewater and centralised treatment for industrial wastewater (centralised treatment for residential wastewater and centralised treatment for industrial wastewater with a daily industrial wastewater treatment of 20,000 tons or more) shall be applied for before 2019. In addition, in accordance with the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation)*(《排污許可管理辦法(試行)》) promulgated by MEP on 10 January 2018, a pollutant discharging entity that has already been established and discharged pollutants before the time limit as provided on the List shall apply for a pollutant discharge permit within the time limit.

Air Pollution

The Air Pollution Prevention Law of the People's Republic of China (中華人民共和國大氣污染防治法), promulgated on 5 September 1987 by the Standing Committee of the National People's Congress, which became effective on 1 June 1988 and was last amended on 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law of the People's Republic of China (中華人民共和國水污染防治法), promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, which became effective on 1 November 1984, and amended on 15 March 1996, 28 February 2008, and 27 June 2017, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

The Noise Pollution Prevention Law of the People's Republic of China (中華人民共和國環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997, and was amended on 29 December 2018, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Construction Projects

According to the Management Regulations of Environmental Protection of Construction Project (“建設項目環境保護管理條例”), which was promulgated by the State Council on 29 November 1998 and amended on 17 July 2017 with effect from 1 October 2017, the PRC practices

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a system for the evaluation of the environmental impact of a construction project. Where the preparation of the environmental impact report or environmental impact statement is required for a construction project under the law, prior to commencement of construction, the construction unit shall submit the environmental impact report or environmental impact statement to the competent administrative department of environmental protection for approval; Where the environmental impact registration form is required to be completed under the law, the construction unit shall submit the environmental impact registration form to the competent administrative department of environmental protection at county level of the place where the construction project is located for record-filing. Further, the construction entity shall, after the completion of the construction projects requiring the preparation of the environmental impact report or environmental impact statement, conduct inspection and acceptance of the environmental protection facilities and prepare inspection and acceptance report. A construction project requiring the preparation of the environmental impact report or the environmental impact statement shall not be put into operation or use until the environmental protection facilities have passed the inspection and acceptance.

COMPETITION AND ANTI-TRUST LAWS

Pursuant to the Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法), promulgated by the Standing Committee of the National People's Congress on 2 September 1993, which became effective on 1 December 1993 and was amended on 4 November 2017, businesses may not engage in improper market activities to undermine their competitors, including infringing trademark rights or confidential business information, generating false publicity through advertising or other means or forging and disseminating false information, infringing upon the goodwill of competitors or the reputation of their products, bribing, establishing cartels, and dumping goods below cost.

The Anti-Monopoly Law of the People's Republic of China (中華人民共和國反壟斷法), promulgated by the Standing Committee of the National People's Congress on 30 August 2007, which became effective on 1 August 2008, requires proposals for foreign acquisitions and investment in domestic companies to undergo national security reviews, protects core Chinese industries, and grants the PRC Government authorities substantial discretion in making determinations as to monopolistic agreements, abuses of dominant positions, concentrations of power and abuses of administrative powers to eliminate or restrict competition.

Violation of the Anti-unfair Competition Law or the Anti-Monopoly Law may result in the imposition of fines, revocation of business licences and criminal liability.

INTELLECTUAL PROPERTY RIGHTS

The Copyright Law

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organisation in December 2001.

The Copyright Law of the People's Republic of China (Revised in 2010) (中華人民共和國著作權法 (2010年修訂)) (the “**Copyright Law**”) promulgated by the Standing Committee of the National People's Congress on 26 February 2010, which became effective on 1 April 2010 provides that

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Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilisation and material civilisation and promote the development and prosperity of Chinese culture.

The Trademark Law

Trademarks are protected by the Trademark Law of the People's Republic of China (中華人民共和國商標法) which was promulgated on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 respectively as well as the Implementation Regulation of the Trademark Law of the People's Republic of China (Revised in 2014) (中華人民共和國商標法實施條例(2014年修訂)) promulgated by the State Council on 29 April 2014. In mainland China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the SAIC (which has merged into the State Administration for Market Regulation), handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. As for trademarks, the Trademark Law of the People's Republic of China has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. In the case of assignment of registered trademark, the assignor and the assignee shall enter into an assignment agreement, and jointly submit an application to the Trademark Office. The assignee shall ensure the quality of the commodities on which the registered trademark is used. In the case of assignment of registered trademark, any similar trademark registered by the trademark registrant for the same type of commodities, or any identical or similar trademark for similar commodities shall be assigned concurrently. The Trademark Office shall not approve assignments which may easily cause confusion or any other adverse impact, and shall notify the applicant in writing and state the reason. Upon approval of assignment of a registered trademark, the assignment shall be gazetted. The assignee shall enjoy exclusive rights to use trademark from the date of gazette.

A trademark registrant may license its registered trademark to another party by entering into a trademark licence contract. Trademark licence agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. For licensed use of a registered trademark, the licensor shall file record of the licencing of the said trademark with the trademark bureau, and the licencing shall be gazetted by the trademark bureau. Non-filing of the licencing of a trademark shall not be contested against a good faith third party.

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Domain Names

Internet domain name registration and related matters are primarily regulated by CNNIC Implementing Rules of Domain Name Registration (2012 Revision) (中國互聯網絡信息中心域名註冊實施細則 (2012修訂)) issued by China Internet Network Information Center (“CNNIC”), the domain name registrar of mainland China, which became effective on 29 May 2012, the Administrative Measures for Internet Domain Names (互聯網域名管理辦法), issued by the MIIT on 24 August 2017 and effective as of 1 November 2017, and the Measures of the China Internet Network Information Center for Domain Name Disputes Resolution (2014 Revision) (中國互聯網絡信息中心域名爭議解決辦法 (2014修訂)) issued by CNNIC which became effective on 1 September 2014. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Patent Law

According to the Patent Law of the People’s Republic of China (中華人民共和國專利法) amended on 27 December 2008 and the Detailed Rule for the Implementation of Patent Law 中華人民共和國專利法實施細則) amended on 9 January 2010, patent is divided into three categories: invention patent, utility model patent, and design patent.

Invention patent is intended to protect new technical solution for a product. The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application within 18 months after it is filed and if it meets the requirements of this Law in its preliminary review, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application. Once the invention patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in the use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licensing of the patent holder.

Utility model patent is intended to protect new technical solution in relation to a product’s shape, structure or a combination thereof, which is fit for practical use. The applicant for utility model patent must prove that the subject matter product possesses novelty, creativity and practical applicability. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application. Once the utility patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licensing of the patent holder.

Design patent is intended to protect new design of a product’s shape, pattern or a combination thereof as well as its combination with the color and the shape or pattern of a product, which creates an esthetic feeling and is fit for industrial application. The applicant for design patent protection must prove that the subject that for matter product is not identical to a prior design. The application

REGULATORY OVERVIEW

procedure and term of protection is the same as that for utility patent. Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, offering for sale, sale or import of the product protected by such design patent, without the licensing of the patent holder.

LABOR AND SOCIAL WELFARE

The Labor Contract Law

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) (the “**Labor Contract Law**”), which was implemented on 1 January 2008 and amended on 28 December 2012, is primarily aimed at regulating employee and employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner. In addition, according to the Labor Contract Law: (i) employers must pay laborers double income in circumstances where within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment and if such period exceeds one year, the parties are deemed to have entered into a labor contract with an “unfixed term”; (ii) employees who fulfill certain criteria, including having worked for the same employer continuously for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) if an employer pays for an employee professional training, the labor contract may specify a term of service, but an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee's breach of the provisions concerning term of services in the labor contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (vii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within ascertained period by the labor administration authorities.

According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated on 5 July 1994 and became effective on 1 January 1995 and amended on 27 August 2009 and 29 December 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in mainland China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (工傷保險條例) implemented on 1 January 2004 and amended on 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension

REGULATORY OVERVIEW

Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on 14 December 1998, The Unemployment Insurance Measures (失業保險條例) promulgated on 22 January 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) implemented on 22 January 1999 and the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) implemented on 1 July 2011 and amended on 29 December 2018, enterprises are obliged to provide their employees in mainland China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (住房公積金管理條例) which was promulgated by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

HISTORY, DEVELOPMENT AND REORGANISATION

HISTORY AND DEVELOPMENT

Overview

Our Company was incorporated in the Cayman Islands with limited liability on 4 October 2018. Through the Reorganisation, our Company has become the ultimate holding company of our subsidiaries through the intermediate holding companies, Chong Wai, Centenary Development and Chong Kit Management.

The history of our Group can be traced back to 1999 when our founder, Mr. Law, together with his brother-in-law formed Zhongshan New Century with a registered capital of RMB1,500,000 which was contributed by their personal funds. Since 10 May 2005, Mr. Law became the sole beneficial owner of the entire equity interest of Zhongshan New Century through a nominee arrangement and since then, Mr. Law has become our Controlling Shareholder. Mr. Law already had experience in the automobile industry prior to the establishment of our Group. For the background of Mr. Law, please refer to the section headed “Directors and Senior Management” in this prospectus.

During the Track Record Period, we primarily conducted our business through 13 4S dealership outlets, a quick fix auto centre, five quick fix service points and an insurance agency company which are located in Zhongshan within the Guangdong province of the PRC. The 4S dealership outlets are dedicated to the following mid-to-high end sino-foreign and international brands, being Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick. Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019 and an outlet for Cadillac is under construction and is expected to commence operation in the first quarter of 2020, respectively. In 2018, we also entered into a letter of intent for the opening of a new outlet of a new brand of FAW Volkswagen in Zhongshan.

We believe that the Listing would be beneficial to us, as we would be able to use the proceeds of the Global Offering to implement our expansion plan, among other things, optimise our capital structure, optimise and upgrade our information technology system. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for more details.

Our Development Milestone

The following table sets forth a summary of the important developments in our Group’s corporate and business development history since its establishment:

1999	Zhongshan New Century which is the predecessor of our principal operating subsidiary, Century Sale Services, opened a car bazaar in Zhongshan
2001	We set up a repair centre for the repair and maintenance of vehicles under a domestic brand
2002	We commenced our first 4S dealership outlet in Zhongshan dedicated to the FAW Volkswagen brand
2004	We commenced our first 4S dealership outlet in Zhongshan dedicated to the Beijing Hyundai

HISTORY, DEVELOPMENT AND REORGANISATION

2005	We commenced our first 4S dealership outlet in Zhongshan dedicated to the FAW Toyota
2006	We were awarded the “Leading Circulation Enterprise in Zhongshan (中山市流通龍頭企業)” issued by Economic and Information Bureau of Zhongshan (中山市經濟和信息化局) (formerly known as Economic and Trade Bureau of Zhongshan (中山市經濟貿易局))”
2007	We acquired Dongri Automobile which had already operated a 4S dealership outlet in Zhongshan dedicated to the Dongfeng Nissan brand at the time of acquisition
2009	We were awarded as excellent privately owned enterprises in Zhongshan (中山市優秀私營企業) by the Government of Zhongshan (中山市人民政府)
2012	We commenced our first 4S dealership outlet in Zhongshan dedicated to the Buick
2013	We commenced our 4S first dealership outlet in Zhongshan dedicated to each of the Chevrolet and Dongfeng Venucia brands
2015	<p>We opened our first quick fix auto centre in Zhongshan</p> <p>We were awarded as one of the Top 100 Guangdong Automobile Dealers (being shortlisted as one of the top 20 finalists) (廣東省汽車流通行業百強企業評選汽車經銷商集團20強) by the Guangdong Automobile Dealers Association</p>
2016	<p>We were awarded as one of the Top 100 Guangdong Automobile Dealers (being shortlisted as one of the top 20 finalists) (廣東省汽車流通行業百強企業評選汽車經銷商集團20強) by the Guangdong Automobile Dealers Association</p> <p>We established Chuangcheng Insurance, our first insurance agency</p>
2017	<p>We were awarded as one of the Top 100 Guangdong Automobile Dealers (being shortlisted as one of the 20 finalists)* (廣東省汽車流通行業百強企業評選汽車經銷商集團20強) by the Guangdong Automobile Dealers Association</p> <p>Jucheng Automobile was awarded the Nissan Global Award</p> <p>Mingcheng Automobile was awarded the Outstanding New 4S Dealership Outlet Award* (新建優秀專營店) by Dongfeng Nissan</p> <p>Dongri Automobile was granted the 2017 PRC Automobile Service Golden Spanner Award in recognition of its excellent customer service</p> <p>We commenced our used vehicle warranty business</p>
2018	We opened our first used vehicle trading centre
2019	We commenced our first 4S dealership outlet in Zhongshan dedicated to Jaguar and Land Rover

Note: For the purpose of this section, date of commencement of business of our subsidiaries refers to the date of first invoice issued by the respective subsidiary to a customer or the date of the first sales contract entered into between our Group and a customer, whichever is earlier.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR CORPORATE DEVELOPMENT

Our Subsidiaries and branches

As at the Latest Practicable Date, our Company had 20 subsidiaries, details of which are set forth in the following table:

Subsidiaries

No.	Name of subsidiary	Place of incorporation	Date of incorporation	Issued share capital/registered capital	Percentage of our Principal shareholding	Principal business scope
1.	Chong Wai	British Virgin Islands	2 November 2018	US\$1	100%	Investment holding
2.	Centenary Development	Hong Kong	19 November 2018	HK\$1	100%	Investment holding
3.	Chong Kit Management	PRC	11 January 2019	RMB1.0 million	100%	Investment holding
4.	Century Sale Services	PRC	11 January 2019	RMB5.0 million	100%	Sales and import of motor vehicles under the brand FAW Volkswagen and spare parts; sales of used vehicles
5.	Dongri Sale Services (Note 1)	PRC	18 December 2018	RMB5.0 million	100%	Sales and import of motor vehicles under the brand Dongfeng Nissan and spare parts; sales of used vehicles
6.	New Century Toyota (Note 2)	PRC	4 July 2002	RMB10.0 million	100%	Sales and import of motor vehicles under FAW Toyota and spare parts; sales of used vehicles and provision of repair services
7.	Chuangri Automobile	PRC	11 September 2009	RMB5.0 million	100%	Sales of motor vehicles under the brand Dongfeng Nissan, spare parts and used vehicles and provision of repair services
8.	Jucheng Automobile	PRC	31 August 2007	RMB5.0 million	100%	Sales and import of motor vehicles under the brand Dongfeng Nissan and spare parts; sales of used vehicles and provision of repair services; concurrent insurance agency business
9.	Chengnan Automobile	PRC	9 December 2010	RMB5.0 million	100%	Sales of motor vehicles under Beijing Hyundai and spare parts, used vehicles and provision of repair services
10.	Chuangtong Automobile	PRC	2 June 2011	RMB5.0 million	100%	Sales of motor vehicles under Buick and spare parts, used vehicles and provision of repair services

HISTORY, DEVELOPMENT AND REORGANISATION

No.	Name of subsidiary	Place of incorporation	Date of incorporation	Issued share capital/registered capital	Percentage of our Principal shareholding	business scope
11.	Chuangzhi Automobile	PRC	31 October 2011	RMB5.0 million	100%	Sales of motor vehicles under Chevrolet and spare parts, used vehicles and provision of repair services
12.	Century Jaguar	PRC	1 February 2016	RMB15.0 million	100%	Sales of motor vehicles under the brand names Jaguar and Land Rover, spare parts and used vehicles and provision of repair services
13.	Fast Lane Services <i>(Note 3)</i>	PRC	22 January 2015	RMB1.0 million	100%	Sales of motor vehicles and spare parts, used vehicles and provision of repair services
14.	Mingcheng Automobile	PRC	22 October 2014	RMB5.0 million	100%	Sales of motor vehicles under the brand names Dongfeng Nissan and Dongfeng Venucia and spare parts
15.	Chuangcheng Automobile	PRC	31 October 2011	RMB5.0 million	100%	Sales of motor vehicles under the brand name Dongfeng Nissan, spare parts and used vehicles, provision of repair services
16.	Dongyue Automobile	PRC	6 July 2011	RMB5.0 million	100%	Sales of motor vehicles under the brand Dongfeng Venucia and spare parts; sales of used vehicles, provision of repair services
17.	Chuangxian Automobile <i>(Note 4)</i>	PRC	12 December 2003	RMB10.0 million	100%	Sales of motor vehicles under Beijing Hyundai and spare parts; sales of used vehicles, provision of repair services
18.	Chuangcheng Insurance <i>(Note 5)</i>	PRC	21 June 2016	RMB10.0 million	100%	Insurance agency business
19.	New Century Second-hand car	PRC	30 July 2018	RMB0.5 million	100%	Operation of used vehicle market, sales of used vehicles; provision of consultancy services in relation to sales of used vehicles and provision of inspection services of motor vehicles
20.	Century Cadillac	PRC	17 April 2018	RMB10.0 million	80%	Sales of motor vehicles under Cadillac and spare parts, provision of repair services

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. Dongri Sale Services established a branch company, Zhongshan Dongri Automobile Sales and Services Co., Ltd Huangpu branch* (中山市東日汽車銷售服務有限公司黃圃分公司) on 17 January 2019
2. New Century Toyota established a branch company, Zhongshan New Century Toyota Automobile Sales and Services Co., Ltd. Sanxiang branch* (中山市創世紀豐田汽車銷售服務有限公司三鄉分公司) on 11 October 2012
3. Chuangxian Automobile established a branch company, Zhongshan Chuangxian Automobile Sales and Services Co., Ltd. Xiaolan branch* (中山市創現汽車銷售服務有限公司小欖分公司) on 5 December 2016
4. Fast Lane Services established a branch company, Zhongshan New Century Fast Lane Automobile Services Co., Ltd. Eastern District branch* (中山市創世紀快車道汽車服務有限公司東區分公司) on 2 June 2015
5. Chuangcheng Insurance established a branch company, Guangdong Chuangcheng Car Insurance Agency Co., Ltd Xiaolan branch* (廣東創誠汽車保險代理有限公司小欖分公司) on 7 May 2019.

Major changes in the shareholding structure of our major operating subsidiaries

The following summarises the major changes in the shareholding structure of the major operating subsidiaries of our Group prior to the Reorganisation.

1. Zhongshan New Century (the predecessor of Century Sale Services)

Zhongshan New Century was established as a limited liability company in the PRC with a registered capital of RMB1.5 million on 17 May 1999. Zhongshan New Century initially operated a car bazaar and then obtained its first 4S dealership from FAW Volkswagen and subsequently obtained dealerships from a few domestic brands. Over the years, Zhongshan New Century only acted as FAW Volkswagen automobile dealer and had ceased other dealerships, as our Group decided to streamline our business focus to mid-to-high end sino-foreign or international brands. On the date of its establishment, Mr. Law and his brother-in-law Mr. Lin were the registered owners of registered capital of Zhongshan New Century in the sum of RMB1.0 million and RMB0.5 million respectively which were contributed in cash.

Pursuant to a nominee arrangement entered into between Mr. Law and Mr. Lin (the brother-in-law of Mr. Law) on 10 May 2005, Mr. Lin became a nominee of 20% equity interest in Zhongshan New Century on behalf of Mr. Law in consideration of RMB2.2 million (equivalent to Mr. Lin's capital contribution to Zhongshan New Century that time) paid by Mr. Law. Prior to entering into the nominee arrangement, Mr. Law legally and beneficially owned 80% equity interest of Zhongshan New Century. Immediately after the parties entered into the nominee arrangement, Mr. Law became the beneficial owner of the entire equity interest in Zhongshan New Century. The reason for entering into the nominee arrangement with Mr. Lin was due to Mr. Law and Mr. Lin's personal investment plan and for administrative and convenience purposes.

Over the years, there were several increases in the registered capital of Zhongshan New Century. Immediately before the Reorganisation, the registered capital of Zhongshan New Century was RMB11.0 million. All capital contributions were fully paid.

Zhongshan New Century was divided into two entities, namely the Zhongshan New Century and Century Sale Services following the corporate division which was part of the Reorganisation. For details, please refer to the sub-section headed "Reorganisation" below.

HISTORY, DEVELOPMENT AND REORGANISATION

2. *Dongri Automobile (the predecessor of Dongri Sale Services)*

Dongri Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB2.0 million on 12 November 2003, and has been operating as a Dongfeng Nissan authorised dealer. The initial subscribers of Dongri Automobile are Independent Third Parties. On 16 March 2007, Mr. Law entered into an equity transfer agreement with the then shareholders of Dongri Automobile, pursuant to which Mr. Law shall purchase the then entire equity interests of RMB7 million of Dongri Automobile at a consideration of RMB24.5 million. On 17 July 2007, certain relatives of Mr. Law were nominated by Mr. Law to be nominees were registered as the equity holder of the equity interests of Dongri Automobile on Mr. Law's behalf. The consideration was determined on the basis of the value of assets of Dongri Automobile being transferred, and the transfer was legally completed and settled on 25 July 2007. Upon completion of the acquisition of Dongri Automobile, Dongri Automobile became a member of our Group. On 1 December 2017, Mr. Law's nominees entered into an equity transfer agreement with Zhongshan New Century pursuant to which they agreed to transfer the entire equity interest of Dongri Automobile to Zhongshan New Century at a consideration of RMB21.0 million. The consideration was determined on the basis of the amount of registered capital of Dongri Automobile, and the transfer was legally completed and settled on 7 December 2017.

The reason for entering into the nominee arrangement with certain relatives of Mr. Law was due to commercial reasons and for the purpose of maintaining the relationship with our then existing sino-Japanese automobile manufacturer of FAW Toyota. In 2007, before our acquisition of Dongri Automobile, which is an authorised dealer of Dongfeng Nissan, Mr. Law was already the owner of New Century Toyota, which is a FAW Toyota authorised dealer. Both FAW Toyota and Dongfeng Nissan are mid-to-high end sino-Japanese brands and are competitors. Hence, while Mr. Law considered the acquisition of Dongri Automobile to be commercially beneficial to our Group in expanding its portfolio and revenue stream, in order to reduce the perception of any potential conflict of interest and with a view to maintain a good existing relationship with the automobile manufacturer of FAW Toyota, before we commenced the business as an authorised dealer of Dongfeng Nissan, the nominee arrangement was entered into in which certain of Mr. Law's relatives were nominated to be the registered holders of the equity interests of Dongri Automobile on Mr. Law's behalf.

Dongri Automobile was divided into two entities, namely the original Dongri Automobile and Dongri Sale Services following the corporate division which was part of the Reorganisation. For details, please refer to the sub-section headed "Reorganisation" below.

3. *New Century Toyota*

New Century Toyota (previously known as Zhongshan New Milestone Automobile Co., Limited* (中山市新里程汽車有限公司)) was incorporated as a limited liability company in the PRC with a registered capital of RMB10.0 million on 4 July 2002. New Century Toyota carries on its business as a FAW Toyota authorised dealer.

Pursuant to a nominee arrangement entered into between Mr. Law and Mr. Lin on 4 July 2002, Mr. Lin became a nominee of 20% equity interest in New Century Toyota on behalf of Mr. Law. Mr. Law became the beneficial owner of the entire equity interest in New Century Toyota. Mr. Lin did not make any capital contribution and all the registered capital in New Century Toyota was contributed by Mr. Law, which were made in cash and were fully paid. Mr. Law had been the beneficial owner of the entire equity interest in New Century Toyota since the incorporation of New Century Toyota.

4. *Chuangri Automobile*

Chuangri Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 11 September 2009. It carries on its business as a Dongfeng Nissan authorised dealer.

Pursuant to a nominee arrangement entered into between Mr. Law and Mr. Chen Shaoxing on 11 September 2009, Mr. Chen Shaoxing became a nominee of the 20% equity interest in Chuangri Automobile on behalf of Mr. Law. Mr. Law became the beneficial owner of the entire equity interest in Chuangri Automobile. Mr. Chen Shaoxing did not make any capital contribution and all the registered capital in Chuangri Automobile was contributed by Mr. Law, which were made in cash and were fully paid. Mr. Law had been the beneficial owner of the entire equity interest in Chuangri Automobile since the incorporation of Chuangri Automobile.

5. *Jucheng Automobile*

Jucheng Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5 million on 31 August 2007. Jucheng Automobile carries on its business as a Dongfeng Nissan authorised dealer. Since its incorporation and up to 27 January 2019, Mr. Law and Zhongshan New Century were the registered owners of registered capital of Jucheng Automobile in the sum of RMB3.5 million and RMB1.5 million, respectively. The registered capital were contributed in cash and was fully paid.

6. *Chengnan Automobile*

Chengnan Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 9 December 2010. Chengnan Automobile carries on its business as a Beijing Hyundai authorised dealer. Since its incorporation and up to 28 January 2019, Mr. Law and Zhongshan New Century were the registered owners of registered capital of Chengnan Automobile in the sum of RMB3.5 million and RMB1.5 million, respectively, and the registered capital were contributed in cash and was fully paid.

7. *Chuangtong Automobile*

Chuangtong Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 2 June 2011. Chuangtong Automobile carries on its business as a Buick authorised dealer. Since its incorporation and up to 30 January 2019, Mr. Law and Zhongshan New Century were the registered owners of registered capital of Chuangtong Automobile in the sum of RMB3.5 million and RMB1.5 million, respectively, and the registered capital were contributed in cash.

8. *Chuangzhi Automobile*

Chuangzhi Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 31 October 2011. Chuangzhi Automobile carries on its business as a Chevrolet authorised dealer. Since its incorporation and up to 27 January 2019, Mr. Law and Zhongshan New Century were the registered owners of registered capital of Chuangzhi Automobile in the sum of RMB3.5 million and RMB1.5 million, respectively, and the registered capital were contributed in cash and was fully paid.

HISTORY, DEVELOPMENT AND REORGANISATION

9. *Century Jaguar*

Century Jaguar (previously known as Zhongshan Chuangchen Automobile Co., Limited* (中山市創辰汽車有限公司)) was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 1 February 2016. Century Jaguar carries on its business as a Jaguar and Land Rover authorised dealer. Since its incorporation and up to 24 April 2017, Dongyue Automobile and Dongri Automobile were the registered owners of registered capital of Century Jaguar in the sum of RMB3.0 million and RMB2.0 million respectively, representing 60% and 40% equity interests in Century Jaguar, respectively.

On 31 March 2017, (i) Dongyue Automobile and Zhongshan New Century; and (ii) Dongri Automobile and Zhongshan New Century entered into two equity transfer agreements pursuant to which each of Dongyue Automobile and Dongri Automobile transferred 60% equity interests and 40% equity interests of Century Jaguar to Zhongshan New Century at a consideration of RMB1.0 and RMB1.0, respectively. The equity transfers were completed on 25 April 2017. The transfer consideration were nominal as it was an internal reorganisation of our Group. After the equity transfers, Zhongshan New Century was the sole holder of all equity interests of Century Jaguar.

On 15 September 2017, Century Jaguar had its registered capital increased from RMB5.0 million to RMB15.0 million with the capital contributions made by the existing shareholder, Zhongshan New Century, as to RMB11.85 million, and seven new individual shareholders, who are all employees of our Group, as to the remaining RMB3.15 million, all in form of cash. The seven new individual shareholders are our senior management and employees, including Mr. Liu Ning and Mr. Chen Huaquan and Ms. Li Huifang (our Director) and Mr. Luo Qi, who is a cousin of Mr. Law.

Pursuant to a nominee arrangement entered into between Zhongshan New Century and Mr. Chen Shaoxing on May 2017, Zhongshan New Century became a nominee of 5% equity interest in Century Jaguar on behalf of Mr. Chen Shaoxing in consideration of RMB0.75 million. Zhongshan New Century did not make any capital contribution and all the registered capital of 5% equity interest in Century Jaguar was contributed by Mr. Chen Shaoxing, which were made in cash and were fully paid. On 20 September 2018, Mr. Chen Shaoxing transferred his interests in Century Jaguar to Zhongshan New Century and since the date of transfer, Mr. Chen Shaoxing was no longer a holder of equity interests of Century Jaguar.

On 8 November 2018, Zhongshan New Century transferred RMB0.15 million, RMB0.15 million and RMB0.15 million of the registered capital of Century Jaguar at consideration of RMB0.15 million, RMB0.15 million and RMB0.15 million to three individual shareholders (all of whom are our employees, including Ms. Liang Jiexin), respectively. The equity transfers were legally completed and settled on 8 November 2018. After the equity transfer, RMB11.4 million and RMB3.6 million of its registered capital, representing 76% and 24% of its equity interests, were held by Zhongshan New Century and the ten employee shareholders, respectively.

10. *Fast Lane Services*

Fast Lane Services was incorporated as a limited liability company in the PRC with a registered capital of RMB1.0 million on 22 January 2015. Fast Lane Services carries on its business by provision of quick fix services. Since its incorporation and up to 31 January 2019, Zhongshan New Century and Dongri Automobile were the registered owners of registered capital of Fast Lane Services in the sum of RMB0.7 million and RMB0.3 million, respectively, and the registered capital were contributed in cash and was fully paid.

11. Mingcheng Automobile

Mingcheng Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 22 October 2014. Mingcheng Automobile carries on its business as a Dongfeng Nissan authorised dealer and a Dongfeng Venucia authorised dealer. Since its incorporation and up to 27 January 2019, Zhongshan New Century and Dongri Automobile were the registered owners of registered capital of Mingcheng Automobile in the sum of RMB3.5 million and RMB1.5 million, respectively, and the registered capital were contributed in cash and was fully paid.

12. Chuangcheng Automobile

Chuangcheng Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 31 October 2011. Chuangcheng Automobile carries on its business as a Dongfeng Nissan authorised dealer. Since its incorporation and up to 28 January 2019, Zhongshan New Century and Dongri Automobile were the registered owners of registered capital of Chuangcheng Automobile in the sum of RMB2.0 million and RMB3.0 million, respectively, and the registered capital were contributed in cash.

13. Dongyue Automobile

Dongyue Automobile was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 6 July 2011. Dongyue Automobile carries on its business as Dongfeng Venucia authorised dealer. Since its incorporation and up to 31 January 2019, Zhongshan New Century and Dongri Automobile are the registered owners of registered capital of Dongyue Automobile in the sum of RMB2.0 million and RMB3.0 million, respectively, and the registered capital were contributed in cash.

14. Chuangxian Automobile

Chuangxian Automobile (previously known as Zhongshan Zhongxian Automobile Sales and Services Co., Ltd. (中山市中現汽車銷售服務有限公司)) was incorporated as a limited liability company in the PRC with a registered capital of RMB10.0 million on 12 December 2003. Chuangxian Automobile carries on its business as a Beijing Hyundai authorised dealer.

At incorporation, Mr. Law initially subscribed for 67% equity interest in Chuangxian Automobile. Pursuant to a nominee arrangement dated on 12 December 2003 entered into among Mr. Law, Mr. Lin, Mr. Chen Shaoxing and Mr. Liu Ning, Mr. Lin, Mr. Chen Shaoxing and Mr. Liu Ning held 20%, 8% and 5% equity interest in Chuangxian Automobile as nominees on behalf of Mr. Law respectively and Mr. Law was the beneficial owner of the entire registered capital of Chuangxian Automobile. All capital contributions were fully paid by Mr. Law in cash.

On 11 May 2018, the individual equity holders transferred the entire equity interest in Chuangxian Automobile to Zhongshan New Century at a total consideration of RMB10.0 million. The transfer consideration was determined on the basis of the then registered capital of Chuangxian Automobile. After the completion of the equity transfer, Chuangxian Automobile became a member of our Group.

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15. *Chuangcheng Insurance*

Chuangcheng Insurance was incorporated as a limited liability company in the PRC with a registered capital of RMB10.0 million on 21 June 2016. Chuangcheng Insurance engages in insurance agency business. Since its incorporation, Zhongshan New Century is the registered owner of registered capital of Chuangcheng Insurance in the sum of RMB10.0 million and the registered capital were contributed in cash and was fully paid.

16. *New Century Second-hand Car*

New Century Second-hand Car was incorporated as a limited liability company in the PRC with a registered capital of RMB0.5 million on 30 July 2018. New Century Second-hand Car engages in used vehicle operation. Since its incorporation and up to 31 January 2019, Zhongshan New Century was the registered owner of registered capital of Chuangcheng Insurance in the sum of RMB0.5 million and the registered capital were contributed in cash and was fully paid.

17. *Century Cadillac*

Century Cadillac was incorporated as a limited liability company in the PRC with a registered capital of RMB5.0 million on 17 April 2018. Century Cadillac is in the process of constructing a Cadillac outlet which is expected to commence operation in the first quarter of 2020. Since its incorporation and up to 30 May 2018, Zhongshan New Century was the registered owner of registered capital of Century Cadillac in the sum of RMB5.0 million.

On 31 May 2018, Century Cadillac increased its registered capital from RMB5.0 million to RMB10.0 million with capital contributions made by the original shareholder, Zhongshan New Century, as to RMB8.0 million, and an Independent Third Party, as to the remaining RMB2.0 million, all in form of cash. The capital contributions were fully settled on 12 August 2018. After the increase of registered capital, Zhongshan New Century and the Independent Third Party held 80% and 20% of the equity interest in Century Cadillac, respectively.

Confirmation of our PRC Legal Advisers

Our PRC Legal Advisers have confirmed that all the changes in relation to the share capital and shareholding structure of our Group since its establishment, including but not limited to its establishment and the transfers of equity interests have been properly and legally completed and have complied with all applicable PRC laws and regulations in all material aspects, and our Group has obtained all necessary approvals and consents for such corporate changes as required under the applicable PRC laws and regulations in all material aspects.

DISCONTINUED BUSINESSES

Domestic Brand Dealership

We obtained authorisation and Zhongshan New Century opened a 4S dealership outlet dedicated to the Domestic Brand in 2008. In July 2017, the dealership of the Domestic Brand ceased upon mutual agreement primarily because we would like to streamline our business focus to mid to high end sino-foreign or international brands. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to the Domestic Brand dealership amounted to approximately RMB37.1 million, RMB33.6 million, RMB5.2 million and nil respectively, representing 2.0%, 1.8%, 0.3% and 0% of our revenue during the Track Record

HISTORY, DEVELOPMENT AND REORGANISATION

Period, respectively. As confirmed by our Directors, given its relatively small revenue contribution, the cessation of the Domestic Brand dealership had no material adverse impact on our financial performance and business operation.

Deregistration of branch companies

Zhongshan New Century Pioneering Automobile Co., Limited Xiaolan branch* (中山市創世紀汽車有限公司小欖分公司) (“**Zhongshan New Century Xiaolan**”) and Zhongshan New Century Pioneering Automobile Co., Limited Shalang branch* (中山市創世紀汽車有限公司沙朗分公司) (“**Zhongshan New Century Shalang**”) are two branches of Zhongshan New Century established on 14 May 2001 and 27 August 2008, respectively. Both Zhongshan New Century Xiaolan and Zhongshan New Century Shalang operated the dealership of the Domestic Brand. Primarily because our Group would like to streamline our business focus to mid-to-high end sino-foreign or international brands as stated in the paragraph headed “Domestic Brand Dealership” above, New Century applied for deregistration of the two branches which was completed in January 2019. As advised by our PRC Legal Advisers, the above deregistration of branch companies was duly completed and in full compliance with the PRC laws and regulations. As confirmed by our Directors, (i) each of Zhongshan New Century Xiaolan and Zhongshan New Century Shalang were solvent immediately before deregistration; (ii) the deregistration of two branches of Zhongshan New Century had no material adverse impact on our financial performance and business operation; and (iii) the two branches of Zhongshan New Century had not been involved in any claim, complaint, investigation or litigation prior to their respective deregistration. As advised by our PRC Legal Advisers, there was no material non-compliance of the two branches of Zhongshan New Century prior to their respective deregistration.

EXCLUDED BUSINESSES

Driving School

The Driving School, incorporated on 19 August 2008, was a subsidiary of Zhongshan New Century since its incorporation. The Driving School mainly engaged in driving school business. Upon its establishment, the equity interests of the Driving School were held as to 70% and 30% by Zhongshan New Century and a related party of our Group, respectively. Pursuant to a nominee arrangement entered into between Mr. Law and such related party of our Group, such related party of our Group is a nominee of 30% equity interest of the Driving School for and on behalf of Mr. Law since its date of incorporation.

To streamline our business focus and to reallocate our resources to more lucrative businesses, Zhongshan New Century entered into an equity transfer agreement dated 30 March 2018 and a supplemental agreement dated 13 February 2019 with Independent Third Party(s), pursuant to which Zhongshan New Century transferred RMB2.1 million registered capital of the Driving School, which represents 70% of its equity interests at a consideration of RMB2.1 million. The consideration was determined based on the registered capital of the Driving School and the consideration was settled on 27 June 2018. As advised by our PRC Legal Advisers, the above disposal of the equity interests in the Driving School was properly and legally completed and settled on 10 April 2018 and in full compliance with the PRC laws and regulations. As confirmed by our Directors, (i) the disposal of the Driving School had no material adverse impact on our business operation; and (ii) Zhongshan Motor Training had not been involved in any claim, complaint, investigation or litigation prior to its disposal.

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Car Rental Business

New Century Car Rental was incorporated as a limited liability company in the PRC on 18 November 2014 and its equity interests were held 70% and 30% by Zhongshan New Century and Dongri Automobile, respectively, since incorporation. It engages in the car rental business. As New Century Car Rental engages in car rental business and have a separate customer base from our Group's principal business, we consider the business scope of New Century Car Rental different from ours. On the other hand, given that we would like to focus on sales of motor vehicles and other integrated auto services which were the main revenue drivers of our Group during the Track Record Period as well as other new businesses with growth potential, our Company decided not to pursue our car rental business any further and as such has excluded New Century Car Rental from our Group upon the corporate division of Zhongshan New Century and Dongri Automobile, details of which are set out in the sub-section headed "Reorganisation" below.

During the Track Record Period, two of our Group companies, namely Chuangcheng Automobile and Fast Lane Services, also derived insignificant revenue from the provision of car rental services. Upon Listing, Chuangcheng Automobile and Fast Lane Services will cease their car rental services to delineate our Group from the Excluded Business. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to our car rental business amounted to approximately RMB65,000, RMB1,000, nil and nil respectively, representing approximately 0.004%, 0.00005%, nil and nil of our revenue, respectively. As confirmed by our Directors, given its relatively small revenue contribution, the cessation of our car rental business had no material adverse impact on our financial performance and business operation, and also, New Century Car Rental had not been involved in any claim, complaint, investigation or litigation prior to its exclusion from our Group upon the corporate division of Zhongshan New Century and Dongri Automobile.

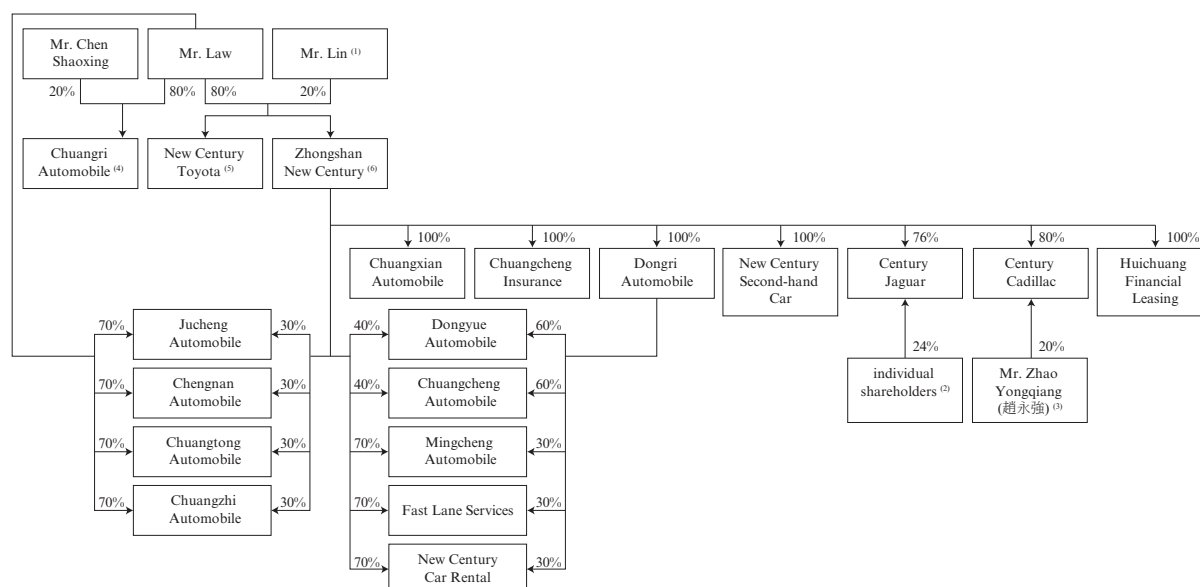
Financial Leasing Business

Huichuang Financial Leasing was incorporated as a limited liability company in the PRC on 5 July 2018 and its equity interests was held by 100% by Zhongshan New Century since incorporation. Huichuang Financial Leasing did not commence any business until March 2019 and since then carries on financial leasing, rental and rental consultancy businesses. As Huichuang Financial Leasing engages in financial leasing, rental and rental consultancy businesses (which are financial services and are different from our Group's principal business), we decided not to include Huichuang Financial Leasing in our Group upon the corporation division of Zhongshan New Century. As confirmed by our Directors, Huichuang Financial Leasing had not been involved in any claim, complaint, investigation or litigation prior to its exclusion from our Group upon the corporate division of Zhongshan New Century.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE BEFORE REORGANISATION

The following chart set out our corporate structure immediately before Reorganisation:



Notes:

1. Mr. Lin is the brother-in-law of Mr. Law and a connected person of our Company.
2. The individual shareholders comprises Mr. Liu Shanxu, Mr. Chen Huaquan, Mr. Liu Ning, Mr. Yu Yijing, Ms. Li Huifang, Mr. Du Yuming, Mr. Luo Qi, Ms. Liang Jiexin, Mr. Zhan Jianming and Mr. Chen Xiaojun and all of them are employees of our Group, in which Ms. Li Huifang is our Director and Mr. Luo Qi is a cousin of Mr. Law. Their equity interests in Century Jaguar were 5%, 5%, 3%, 2%, 2%, 2%, 2%, 1%, 1% and 1% respectively.
3. Mr. Zhao Yongqiang is an Independent Third Party.
4. According to a nominee arrangement entered into between Mr. Law and Mr. Chen Shaoxing on 11 September 2009, since 11 September 2009, the registered capital of RMB1.0 million was held by Mr. Chen Shaoxing on Mr. Law's behalf and Mr. Law was the beneficial owner of the entire registered capital of Chuangri Automobile.
5. According to a nominee arrangement entered into between Mr. Law and Mr. Lin on 4 July 2002, the registered capital of RMB2.0 million was held by Mr. Lin on Mr. Law's behalf and Mr. Law was the beneficial owner of the entire registered capital of New Century Toyota.
6. According to a nominee arrangement entered into between Mr. Law and Mr. Lin dated on 10 May 2005, the registered capital of RMB2.2 million was held by Mr. Lin on Mr. Law's behalf and Mr. Law was the beneficial owner of the entire registered capital of Zhongshan New Century.

REORGANISATION

Our Group underwent the Reorganisation steps in preparation for the Listing and the major steps of our Reorganisation are summarised as follows:

1. Incorporation of various Group companies

(a) our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 4 October 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, the initial subscriber transferred the one issued Share to Chong Kit (which is a BVI company wholly owned by Mr. Law) in consideration for HK\$0.01, credited as fully paid, and our Company allotted 7,499 new Shares to Chong Kit at par value. Upon completion of the above, our Company was wholly owned by Chong Kit. Following completion of the Reorganisation, our Company became the holding company of our Group.

(b) Chong Wai

Chong Wai was incorporated under the laws of BVI on 2 November 2018 which is authorised to issue 50,000 shares of US\$1.00 each. On the same day, one issued share of US\$1.00 each was allotted to our Company at par. Since its incorporation, Chong Wai has been a wholly-owned subsidiary of our Company.

(c) Centenary Development

Centenary Development was incorporated in Hong Kong with limited liability on 19 November 2018 with one paid-up ordinary share issued to Chong Wai at the date of incorporation. It is an investment holding company. Since its incorporation, Centenary Development has been a wholly-owned subsidiary of Chong Wai.

(d) Chong Kit Management

Chong Kit Management was incorporated in the PRC as a limited liability company in the PRC with a registered capital of RMB1.0 million. Since its incorporation, Centenary Development is the registered owner of the entire registered capital of the Chong Kit Management and the registered capital was contributed in cash. Since its incorporation, Chong Kit Management has been a wholly-owned subsidiary of Centenary Development.

2. Transfer of 1% equity interests in Zhongshan New Century

On 21 December 2018, Mr. Law entered into an equity transfer agreement with Ms. Liu Yali, his spouse, pursuant to which Mr. Law shall transfer RMB110,000 registered capital of Zhongshan New Century, which represents 1% of the equity interests of Zhongshan New Century at a consideration of RMB110,000. The consideration was determined based on registered capital of Zhongshan New Century.

HISTORY, DEVELOPMENT AND REORGANISATION

On 1 January 2019, Mr. Law entered into an equity transfer agreement with Ms. Liu Yali, his spouse, pursuant to which Ms. Liu Yali shall transfer RMB110,000 registered capital of Zhongshan New Century, which represents 1% of the equity interests of Zhongshan New Century at a consideration of RMB110,000. The consideration was determined based on the registered capital of Zhonghsan New Century. The consideration of the two transfers between Mr. Law and Ms. Liu Yali was set off with each other and was completed on 1 January 2019. The above transfer were conducted to assist the administrative procedures of the Reorganisation.

3. Corporate Division of Zhongshan New Century and Dongri Automobile

Immediately before the Reorganisation, Zhongshan New Century and Dongri Automobile held certain excluded businesses and assets which would not form part of our Group upon Listing (the “**Excluded Business**”). Please refer to the paragraph headed “Excluded Businesses” above for more details. To delineate the Excluded Business from our Group, both Zhongshan New Century and Dongri Automobile underwent corporate division under the Company Law of the PRC. Corporate division represents the division of an entity into two separate entities and involves a change of SAIC registration and the reallocation of assets and liabilities between the existing entity and the newly created entity. As advised by our PRC Legal Advisers, ownership of a company is unaffected by corporate division under the corporate division agreement. We set forth the key steps of corporate division of Zhongshan New Century and Dongri Automobile:

Dongri Automobile

Dongri Automobile and Dongri Sale Services entered into an undated corporate division agreement in relation to the corporate division of Dongri Automobile. Immediately before the completion of corporate division, the registered capital of Dongri Automobile was RMB21.0 million. Following the change of SAIC registration on 18 December 2018, Dongri Automobile was divided into Dongri Automobile with a registered capital of RMB16.0 million and Dongri Sale Services with a registered capital of RMB5.0 million. Dongri Automobile, which is excluded from our Group, holds certain Excluded Business. On the other hand, businesses and assets which form part of our Group including but not limited to the 60% equity interests in Dongyue Automobile, 60% equity interests in Chuangcheng Automobile, 30% equity interests in Mingcheng Automobile and 30% equity interests in Fast Lane Services were reallocated to Dongri Sale Services.

Zhongshan New Century

Zhongshan New Century and Century Sale Services entered into a corporate division agreement dated 11 January 2019 in relation to the corporate division of Zhongshan New Century. Immediately before the completion of corporate division, the registered capital of Zhongshan New Century was RMB11.0 million. Following the change of SAIC registration on 11 January 2019, Zhongshan New Century was divided into Zhongshan New Century with a registered capital of RMB6.0 million and Century Sale Services with a registered capital of RMB5.0 million. Zhongshan New Century, which is excluded from our Group, holds certain Excluded Business. On the other hand, businesses and assets which form part of our Group including but not limited to the 100% equity interests in Dongri Sale Services, 30% equity interests in Jucheng Automobile, 30% equity interests in Chengnan Automobile, 30% equity interests in Chuangtong Automobile, 30% equity

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interests in Chuangzhi Automobile, 40% equity interests in Dongyue Automobile, 40% equity interests in Chuangcheng Automobile, 70% equity interests in Mingcheng Automobile, 70% equity interests in Fast Lane Services, 100% equity interests in Chuangxian Automobile, 100% equity interests in Chuangcheng Insurance, 100% equity interests in New Century Second-hand Car, 100% equity interests in Century Jaguar and 80% equity interests in Century Cadillac, were reallocated to Century Sale Services.

The reason for conducting the corporate division

Immediately before the Reorganisation, Zhongshan New Century and Dongri Automobile held the Excluded Business including 100% equity interests of New Century Car Rental and Huichuang Financial Leasing and certain properties. Due to the following reasons, our Company considered that corporate division is appropriate for our Reorganisation for the purpose of Listing:

- (a) our Company would like to focus on developing our Group's principal business, being sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services. As New Century Car Rental engages in car rental business and have a separate customer base from our Group's principal business and Huichuang Financial Leasing intends to engage in financial leasing, rental and rental consultancy businesses, we consider their business scope are different from ours and would delineate the Excluded Business from our Group;
- (b) according to the ACMR report, there is a trend of establishing 4S dealership outlets with high gross floor area to low gross floor area due to scattered customer base and the relatively long investment payback period of large scale investment in 4S dealership outlets. The establishment of smaller scale outlets would facilitate our expansion of our motor vehicle sale and service network; and
- (c) the corporate division would provide flexibility to our Group to relocate to other properties and to terminate the lease of the 4S dealership outlets at any time should it consider the existing leased properties leased of our Group are no longer suitable for our Group's use or is no longer cost competitive.

HISTORY, DEVELOPMENT AND REORGANISATION

For the purpose of the presentation of the Accountants' Report as set out in Appendix I of this prospectus, the historical financial information for the Track Record Period has been prepared on a consolidated basis as if the Reorganisation had been completed at the beginning of the Track Record Period based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, and on the basis that the Excluded Business will not form part of our Group's principal business, being sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance service, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services. The historical financial information for the Track Record Period excludes the assets, liabilities and results of operations of the Excluded Business whose business is, in the opinion of our Directors, clearly delineated from the principal business of our Group and whose assets, liabilities, revenues and expenditure are clearly identifiable.

As a result, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current structure of the companies now comprising our Group (including Century Sale Services and Dongri Sale Services established after the corporate division) had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 present the assets and liabilities of the companies now comprising our Group (including Century Sale Services and Dongri Sale Services established after the corporate division which had been incorporated after the end of the Track Record Period), as if the current structure of the companies now comprising our Group had been in existence at the end of the respective reporting periods.

4. Transfer of Century Sale Services to Chong Kit Management

On 15 January 2019, Mr. Law and Chong Kit Management entered into an equity transfer agreement and Mr. Lin and Chong Kit Management entered into another equity transfer agreement. Pursuant to the equity transfer agreements, each of Mr. Law and Mr. Lin transferred RMB4.0 million and RMB1.0 million of the registered capital of Century Sale Services respectively to Chong Kit Management at consideration of RMB4.0 million and RMB1.0 million respectively. The consideration was determined based on registered capital of Century Sale Services and the transfers were settled on 14 February 2019.

5. Transfer of various PRC Group Companies from individual shareholders to Century Sale Services

On the following dates, each of the following individual shareholders of our subsidiaries transferred the following amount of registered capital in each of our following subsidiaries to Century Sale Services.

HISTORY, DEVELOPMENT AND REORGANISATION

Each of the consideration set out below are based on the then registered capital of the respective equity interests being transferred and all the consideration of the following transfers were settled on the following dates.

	Subsidiary	Transferor	Transferee	Amount of registered capital being transferred	Date of equity transfer agreements	Date of settlement of consideration
1.	New Century Toyota	Mr. Law	Century Sale Services	RMB8.0 million	24 January 2019	14 February 2019
		Mr. Lin	Century Sale Services	RMB2.0 million	24 January 2019	14 February 2019
2.	Chuangri Automobile	Mr. Law	Century Sale Services	RMB4.0 million	24 January 2019	13 February 2019
		Mr. Chen Shaoxing	Century Sale Services	RMB1.0 million	24 January 2019	14 February 2019
3.	Jucheng Automobile	Mr. Law	Century Sale Services	RMB3.5 million	24 January 2019	13 February 2019
4.	Chengnan Automobile	Mr. Law	Century Sale Services	RMB3.5 million	24 January 2019	13 February 2019
5.	Chuangtong Automobile	Mr. Law	Century Sale Services	RMB3.5 million	25 January 2019	13 February 2019
6.	Chuangzhi Automobile	Mr. Law	Century Sale Services	RMB3.5 million	24 January 2019	13 February 2019
7.	Century Jaguar	Ten individual shareholders	Century Sale Services	RMB3.6 million	28 January 2019	13 February 2019

As advised by our PRC Legal Advisers, the corporate division of Zhongshan New Century and Dongri Automobile and all the transfer of equity interests of our subsidiaries during Reorganisation have been properly and legally completed and settled and in full compliance with the PRC laws and regulations.

6. Increase of authorised share capital of our Company

On 16 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 new Shares.

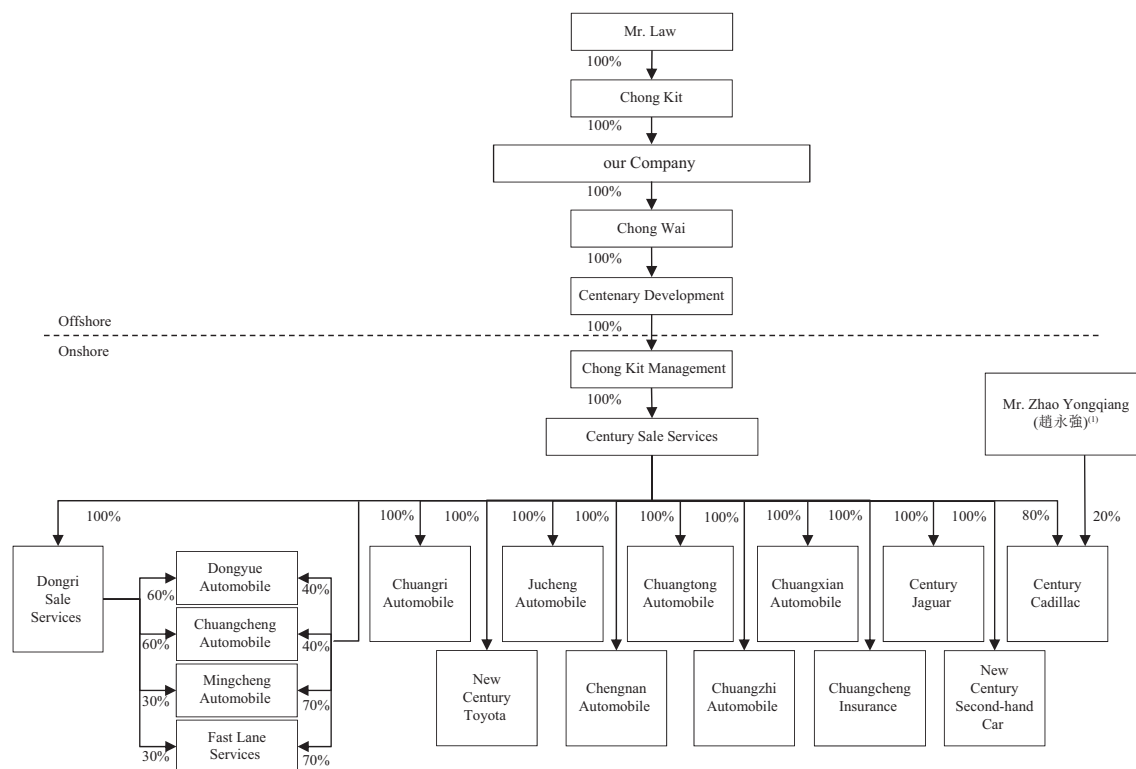
7. Capitalisation Issue

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise an amount of HK\$3,749,925 from the share premium account of our Company and apply such amount in paying up in full at par for allotment and issue to Chong Kit 374,992,500 Shares. As a result, Chong Kit becomes holder of 375,000,000 Shares.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE AFTER THE REORGANISATION

The following chart set out our corporate structure immediately after the Reorganisation:

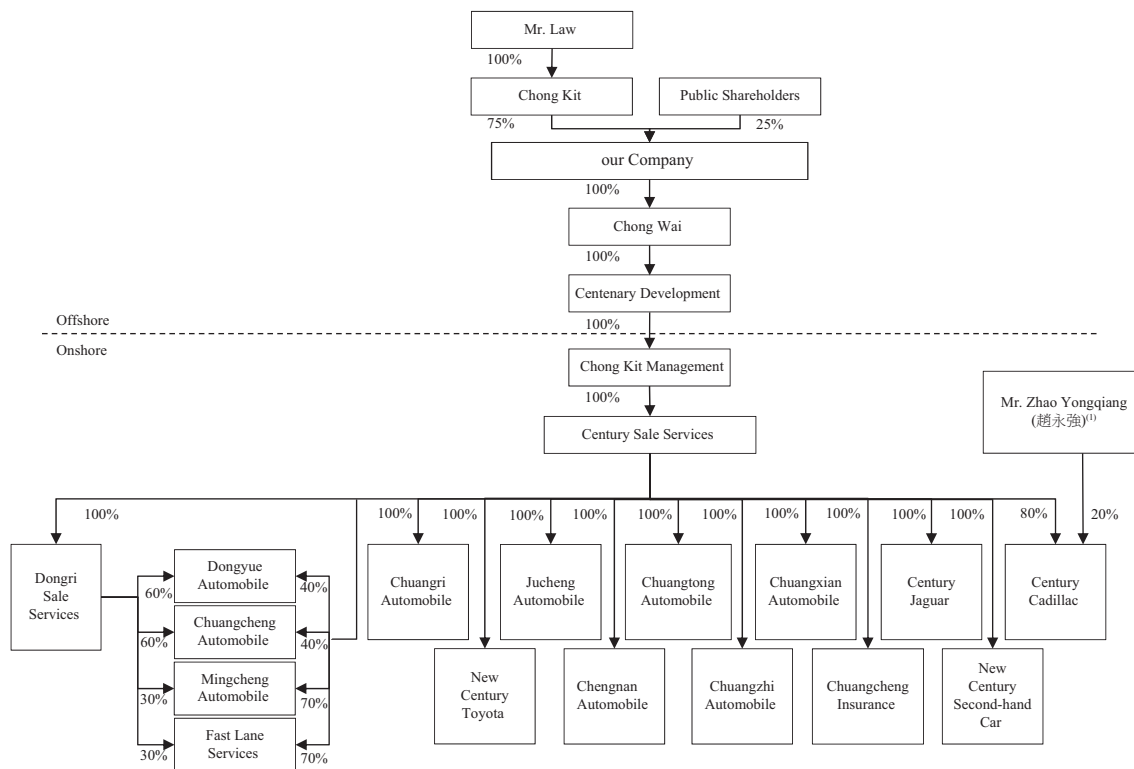


Notes:

1. Mr. Zhao Yongqiang (趙永強) is an Independent Third Party.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets out our corporate structure immediately after the completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

1. Mr. Zhao Yongqiang (趙永強) is an Independent Third Party.

PRC REGULATORY REQUIREMENTS

Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the “Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” 《關於外國投資者併購境內企業的規定》 (the “**M&A Rules**”) jointly issued by the MOFCOM, the SAT, the CSRC, the SAIC and the SAFE on 8 August 2006 and effective as of 8 September 2006 and amended on 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC. According to M&A Rules, an offshore special purpose company refers to an overseas company directly or indirectly controlled by a domestic company or natural person for the purpose of the overseas listing of the interests held by such domestic company or natural person in a domestic company.

HISTORY, DEVELOPMENT AND REORGANISATION

As advised by our PRC Legal Advisers, Mr. Law, as the legal owner of the Shares of our Company, is a Hong Kong permanent resident, he does not fall within the definition of domestic natural person under the M&A Rules, and each of the transfer set out in the paragraphs headed “Reorganisation — 3. Transfer of Century Sale Services to Chong Kit Management” and “Reorganisation — 4. Transfer of various PRC Group Companies from individual shareholders to Century Sale Services” would not constitute a domestic company, enterprise or natural person acquiring its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise. Therefore, there is no requirement for our Company to obtain the approval of the CSRC or MOFCOM prior to the Listing.

SAFE REGISTRATION

According to the Circular on the Administration of Foreign Exchange Involved in the Investment and Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”) issued by SAFE on 4 July 2014, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. A “domestic individual resident” refers to a Chinese citizen who holds a Chinese domestic resident, military or armed police ID card, as well as any overseas individual who has no legal identity within the territory of the PRC but habitually resides within the territory of the PRC for reasons of economic interest.

Mr. Law has completed the registration as required by Circular 37 on 10 December 2018. As such, our PRC Legal Advisers are of the view that the registration by Mr. Law of his investment in our Group is legal and valid in accordance with the applicable PRC rules and regulations.

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OVERVIEW

Established in 1999, we are an integrated auto service provider in Zhongshan, Guangdong province of the PRC with a focus on mid-to-high end sino-foreign and international brands. As at 31 December 2018, we were the largest 4S dealership group in Zhongshan in terms of the number of 4S dealership outlets and ranked 13th by ACMR amongst privately-owned 4S dealership groups in the Guangdong province according to the ACMR Report.

We offer our customers a comprehensive array of automobile-related products and services including the sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services.

During the Track Record Period, we primarily conducted our businesses through 13 4S dealership outlets, a quick fix auto centre, five quick fix service points and an insurance agency company which are located in Zhongshan within the Guangdong province of the PRC. During the Track Record Period, we operated 4S dealership outlets dedicated to the following brands: Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick as authorised by our respective automobile manufacturers. During the Track Record Period, we did not sell any new energy vehicles. Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019, and we expect our new outlet for Cadillac to commence operation in the first quarter of 2020, which is currently under construction.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue was approximately RMB1,834.7 million, RMB1,904.9 million, RMB1,940.3 million and RMB568.3 million, respectively and our gross profit was approximately RMB122.4 million, RMB145.4 million, RMB174.4 million and RMB54.3 million, respectively. The table below sets forth a breakdown of our revenue by service for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	1,573,106	85.7	1,635,342	85.8	1,658,936	85.5	444,848	83.7	487,702	85.8
Other integrated auto services										
Repair services ^(Note 1)	146,895	8.0	152,477	8.0	172,388	8.9	57,611	10.9	62,292	11.0
Sales of accessories	72,429	4.0	68,813	3.6	71,019	3.7	16,705	3.1	12,142	2.1
Insurance agency services	30,002	1.6	37,019	2.0	27,755	1.4	9,128	1.7	3,605	0.6
Others ^(Note 2)	12,269	0.7	11,268	0.6	10,213	0.5	3,008	0.6	2,588	0.5
Subtotal	<u>261,595</u>	<u>14.3</u>	<u>269,577</u>	<u>14.2</u>	<u>281,375</u>	<u>14.5</u>	<u>86,452</u>	<u>16.3</u>	<u>80,627</u>	<u>14.2</u>
Total	<u>1,834,701</u>	<u>100.0</u>	<u>1,904,919</u>	<u>100.0</u>	<u>1,940,311</u>	<u>100.0</u>	<u>531,300</u>	<u>100.0</u>	<u>568,329</u>	<u>100.0</u>

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The table below sets forth our gross profit by service for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	16,442	13.4	33,591	23.1	60,621	34.8	13,183	29.6	32,480	59.8
Other integrated auto services										
Repair services ^(Note 1)	24,816	20.3	29,539	20.3	35,052	20.1	10,925	24.6	11,264	20.7
Sales of accessories	40,084	32.8	36,435	25.1	42,878	24.6	8,909	20.0	5,129	9.4
Insurance agency services	30,002	24.5	37,019	25.5	27,755	15.9	9,128	20.5	3,290	6.1
Others ^(Note 2)	11,021	9.0	8,838	6.0	8,072	4.6	2,349	5.3	2,149	4.0
Subtotal	105,923	86.6	111,831	76.9	113,757	65.2	31,311	70.4	21,832	40.2
Total	122,365	100.0	145,422	100.0	174,378	100.0	44,494	100.0	54,312	100.0

Notes:

1. Repair services include repair and maintenance services, sales of spare parts, car care services and used vehicle warranty services.
2. During the Track Record Period, others represented vehicle licensing services and registration of title transfer of used vehicles.

During the Track Record Period, our revenue increased by 3.8% for the year ended 31 December 2017 as compared with the year ended 31 December 2016, by 1.9% for the year ended 31 December 2018 as compared with the year ended 31 December 2017 and by 7.0% for the four months ended 30 April 2019 as compared with the four months ended 30 April 2018, and our gross profit increased by 18.8% for the year ended 31 December 2017 as compared with the year ended 31 December 2016, by 19.9% for the year ended 31 December 2018 as compared with the year ended 31 December 2017, and by 22.1% for the four months ended 30 April 2019 as compared with the four months ended 30 April 2018.

During the Track Record Period, both our revenue and gross profit from sales of motor vehicles performed well. Our gross profit from sales of motor vehicles increased from approximately RMB16.4 million for the year ended 31 December 2016 to approximately RMB33.6 million for the year ended 31 December 2017, representing an increase of 104.9% and to approximately RMB60.6 million for the year ended 31 December 2018, representing an increase of 80.4%. Our gross profit from sales of motor vehicles increased from approximately RMB13.2 million to approximately RMB32.5 million for the four months ended 30 April 2019, representing an increase of 146.2%. We believe that we benefit from our brand portfolio which largely consists of mid-to-high end sino-foreign or international brands that are the mainstream brands in the PRC. As stated in the ACMR Report, in 2018, sales volume attributable to Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick which comprised our brand portfolio during the Track Record Period, contributed approximately 47.8% of the total sales volume of mid-to-high end passenger vehicles in the PRC. According to the ACMR Report, we have leading positions in Zhongshan market in the authorised brands we have in terms of sales volume. According to the ACMR Report, in 2018, our market share of Dongfeng Nissan in Zhongshan was 75.5%, our

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market shares of FAW Toyota, FAW Volkswagen, Beijing Hyundai, Chevrolet and Buick were 29.3%, 42.6%, 81.4%, 52.6% and 29.9%, respectively. We are also the sole dealership of Dongfeng Venucia in Zhongshan by the end of 2018.

One of our Group's key growth strategies is to develop and expand our other integrated auto services business. During the Track Record Period, the gross profit margin of our other integrated auto services was over 27.0% whilst the gross profit margin of our sales of motor vehicles was below 10.0%. The gross profit derived from our other integrated auto services amounted to approximately RMB105.9 million, RMB111.8 million, RMB113.8 million and RMB21.8 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

According to the ACMR Report, over the last decade, as motor vehicles became more affordable and ownership of motor vehicles became more common, our repair services experienced significant growth. We commenced our first repair centre for a domestic brand in 2001. Since then up to the Track Record Period, we have grown to have a network of 13 full-service 4S dealership outlets, a quick fix auto centre and five quick fix auto service points, annexed to our 4S dealership outlets. The gross profit derived from our repair services amounted to approximately RMB24.8 million, RMB29.5 million, RMB35.1 million and RMB11.3 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Gross profit from our insurance agency services increased from approximately RMB30.0 million for the year ended 31 December 2016 to approximately RMB37.0 million for the year ended 31 December 2017, representing an increase of 23.4%, to approximately RMB27.8 million for the year ended 31 December 2018, representing a decrease of 24.9%. Gross profit from our insurance agency services decreased from approximately RMB9.1 million for the four months ended 30 April 2018 to approximately RMB3.3 million for the four months ended 30 April 2019, representing a decrease of 63.7%.

To expand our other integrated auto services ecosystem, we started to provide used vehicle warranty services in May 2017 and opened a used vehicle trading centre which commenced operation in October 2018 to further develop our used vehicle operation in view of market potentials and to support our strategy to widen our customer base. We intend to further develop our other integrated auto services to enhance our overall profitability leveraging on our strong sales network of motor vehicles and strong presence in Zhongshan. Please refer to the paragraph headed "Our strategies" in this section and the section headed "Future Plans and Use of Proceeds" in this prospectus for more details.

In recognition of our strong sales and marketing abilities, we were selected as one of the Top 100 Guangdong Automobile Dealers (being shortlisted as one of the top 20 finalists)* (廣東省汽車流通行業百強企業評選汽車經銷商集團二十強) ^(Note 1) in 2015, 2016 and 2017. Jucheng Automobile, was awarded the Nissan Global Award ^(Note 2) in 2017. Mingcheng Automobile was awarded the Outstanding New 4S Dealership Outlet Award* (新建優秀專營店) ^(Note 3) by Dongfeng Nissan in 2017.

Notes:

1. Guangdong Automobile Dealers Association (廣東省汽車流通協會) is a branch of China Automobile Dealers Association (CADA) (中國汽車流通協會). CADA is the only non-profit national automobile dealers association in the PRC which was registered with the PRC Ministry of Civil Affairs. Headquartered in Beijing, CADA was established in 1990. Its membership comprise dealers engaging in sales of motor vehicles and spare parts, used

vehicle valuation and management, beauty and maintenance product in relation to motor vehicles and service provision and other automobile-related businesses in the PRC. CADA aims to promote sales of motor vehicles and spare parts and other related businesses in the PRC.

2. According to the ACMR Report, in recognition of the significant contribution by Nissan's dealers, Nissan Global Award is awarded by Nissan to its top 50 global dealers in terms of retail sales. In 2017, 20 dealers in the PRC were granted the Nissan Global Award.
3. According to the ACMR Report, the Outstanding New 4S Dealership Outlet Award* (新建優秀專營店) is an award granted by Dongfeng Nissan to dealers for new 4S dealership outlets built in the year with top performance. In 2017, only two 4S dealership outlets had been awarded this award.

COMPETITIVE STRENGTHS

We are a leading 4S dealership group in Zhongshan, Guangdong province, and we are well positioned to capture opportunities in relatively higher growth markets in the PRC.

According to the ACMR Report, Zhongshan is a high growth city in term of economic growth and passenger vehicles market growth, as supported by the following:

- Guangdong province is one of the regions with the highest level of economic development in the PRC;
- According to the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area (深化粵港澳合作推進大灣區建設框架協議) entered into between the PRC government, the Hong Kong government, the Guangdong government and the Macau government in July 2017, Zhongshan is one of the nine cities in the Greater Bay Area which is a key economic development zone. According to the ACMR Report, the promotion of Guangdong-Hong Kong-Macao Greater Bay Area and the completion of Shenzhen-Zhongshan Bridge will promote the further improvement of the transportation facilities in Guangdong province and Zhongshan as well as strengthening the interconnection among regions, which will promote the rapid and sustained economic growth of Guangdong province and Zhongshan, and drive the growth of passenger vehicle market in Guangdong province and Zhongshan;
- Zhongshan has higher GDP per capita than the average level of Guangdong province and PRC national average from 2013 to 2018;
- Zhongshan has experienced increasing annual disposable income per capita and ACMR expects the increasing trend to continue from 2019 to 2023; and
- As compared to Guangdong province and the PRC, Zhongshan has experienced higher growth in the number of new passenger vehicle registration with CAGR of 13.9% and 14.0% respectively in terms of units and sales revenue from 2013 to 2018. ACMR expects the rapid growth to continue in the following years.

Please refer to section headed “Industry Overview” in this prospectus for more details.

We are a leading 4S dealership group in Zhongshan:

- We are the largest 4S dealership group in Zhongshan in term of number of 4S dealership outlets as of 31 December 2018;

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- We have majority market share in Zhongshan in terms of sales volume for our major brands such as Dongfeng Venucia, Beijing Hyundai, Dongfeng Nissan and Chevrolet;
- We have over 19 years of experience in sales of motor vehicles and about 17 years of experience in repair services based in Zhongshan; and
- We have entrenched resources and auto market experience in Zhongshan and hence providing us with more synergies between different business units, and allow us to provide competitive auto solutions to customers.

We believe operating as a long standing 4S dealerships group and one with the largest and most established sales and services network in Zhongshan, we believe we are best positioned to benefit from a relatively fast growing automobile market in Zhongshan. Our experienced sales and repair and maintenance workforce, our large sales and service network and our other integrated service offerings allow us to maintain a competitive and captive ecosystem that attend to a wide spectrum of the auto needs of new potential customers and existing customers. We believe such one-stop ecosystem has helped our Group in converting owners of motor vehicles from other dealerships to purchase motor vehicles from us/to subscribe to our services and improved stickiness of our existing customers.

We believe we hold a leading position in the auto sales and our services market and expansive service offerings in Zhongshan also give us the ability to realise repeated sales/services to our existing customers. For example, purchasers of our new vehicles will enjoy a three to five years of warranty period and during this warranty period, a high population of these customers will subscribe to our insurance agency services, hence improving the profit generated per customer. During the Track Record Period, approximately 62.0% of the total number of our repair services transactions and approximately 50.0% of the total number of our vehicle insurance renewals, were generated from the customers who had purchased motor vehicles from us from 1 January 2013 to 30 April 2018. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019 and for the period from 1 January 2019 up to the Latest Practicable Date, approximately 27.9%, 27.2%, 25.2%, 27.6% and 34.6% of our customers of repair services in the respective period were customers who had purchased their motor vehicles from us and the warranty period of their motor vehicles expired. In addition, during the Track Record Period approximately 39.0%, 41.7%, 37.1%, and 36.0% of our revenue generated from repair services were generated from customers of sales of new vehicles whose warranty period of their motor vehicles purchased from us expired.

Therefore, we believe that our strategic focus and market-leading position in Zhongshan and our familiarity of the Zhongshan market well-positions us to capture strong growth potential for sales of motor vehicles and other integrated auto services in Zhongshan and in nearby regions.

Our extensive network, large customer base, comprehensive auto services offering has laid a strong foundation for us to further enhance and develop our other integrated auto service business, which is a high profitability business segment and key growth driver of our Group.

We offer our customers a comprehensive array of automobile-related products and services including the sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services. We have accumulated extensive experience in the provision of other integrated auto services in the past and achieved growth during the Track Record Period. Our unique combination of sales and other integrated auto services allow us to maintain competitiveness

in the automobile market in Zhongshan. Our Directors believe that our combination of sales and other integrated auto services is unique in the mid-to-high end sino-foreign and international vehicle brand market in Zhongshan taking into account our years of experience in sales of motor vehicles and repair services and the number of 4S dealership outlets in Zhongshan. We believe that our one-stop automobile ecosystem is unique in Zhongshan because according to the ACMR report we are the only dealership group in Zhongshan which offering a wide spectrum of services, including operating a quick fix network, holding insurance agency licence for both motor vehicle and non-motor vehicle insurance products and operating a used vehicle trading centre. Our Directors believe that our package as a whole gives us a competitive advantage over our major competitors in Zhongshan. Many of our service offerings require specific government registrations and/or approval, for example, we were one of the only seven used vehicle exchange operators in Zhongshan as at 31 December 2018 according to the ACMR Report.

During the Track Record Period, our other integrated auto services contributed to a small portion of our revenue. However, it contributed to 86.6%, 76.9%, 65.2% and 40.2% of our gross profit. During the Track Record Period, the gross profit margin of our integrated auto services were 40.5%, 41.5%, 40.4% and 27.1%, respectively. Meanwhile the gross profit margin for sales of motor vehicles were 1.0%, 2.1%, 3.7% and 6.7% for the same period. As our other integrated auto services entail higher gross profit margins, these services not only generating an increasing amount of recurring revenue but also contribute significantly to our overall profitability.

According to the ACMR Report, over the last decade as motor vehicles became more affordable and ownership of motor vehicles became more common, our repair services experienced significant growth. We commenced our first repair centre through our first 4S dealership outlet in 2001. Since then, up to the Track Record Period we have grown to have a network of 13 full-service 4S dealership outlets, a quick fix auto centre and five quick fix service points annexed to our 4S dealership outlets. The gross profit derived from our repair services amounted to approximately RMB24.8 million, RMB29.5 million, RMB35.1 million and RMB11.3 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Gross profit from our insurance agency services increased from approximately RMB30.0 million for the year ended 31 December 2016 to approximately RMB37.0 million for the year ended 31 December 2017, representing an increase of 23.4%. It then decreased to approximately RMB27.8 million for the year ended 31 December 2018, representing a decrease of 24.9%. Gross profit from our insurance agency services decreased from approximately RMB9.1 million for the four months ended 30 April 2018 to approximately RMB3.3 million for the four months ended 30 April 2019, representing a decrease of 63.7%.

To expand our other integrated auto services ecosystem, we started to provide used vehicle warranty services in May 2017 and opened a used vehicle trading centre which commenced operation in October 2018 to further develop our used vehicle operation in view of market potential and to support our strategy to widen our customer base.

We believe that we have a significant advantage to leverage on our extensive auto dealership and service points network and large customer base in Zhongshan with analysis of customer preferences and habits to promote a wider range of other integrated auto services to our existing customers while our comprehensive array of auto services will serve as entry-points for attracting new customers to use our other integrated auto services.

We also believe operating as a long standing 4S dealership group with 19 years of experience in the automobile industry and the largest auto sales and services network in Zhongshan, as backed by a large existing client base and a high quality sales and repair and maintenance capability, permit us to continue to maintain a healthy, sustainable and competitive combination of auto sales and services that comprise our unique ecosystem which attend to a wide spectrum of the auto needs of new potential customers and existing customers. Through developing this ecosystem of customers and other integrated auto services, we have strong fundamentals to increase our profitability per customer while continuing to expand our customer base for using our other integrated auto services, which shall in turn improve our overall profitability.

We have established stable and long-term relationships with leading manufacturers of mid-to-high end passenger vehicles.

We have established a stable and long-term business relationship with many leading automobile manufacturers. Our proven ability to generate sales and profits helps strengthen our on-going relationships with these manufacturers and provides us credibility to be strategically desirable. During the Track Record Period, we operated 4S dealership outlets in Zhongshan dedicated to the following brands: Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick as authorised by our respective automobile manufacturers.

Our first dealership was dedicated to FAW Volkswagen in 2002. In 2004, our dealership outlet for Beijing Hyundai commenced operation. In 2005, our dealership outlet for FAW Toyota commenced operation. In 2007, we acquired Dongri Automobile which had already operated a Dongfeng Nissan dealership outlet at the time of acquisition. All these brands were all in a leading position in Zhongshan in terms of sales volume in 2018, according to the ACMR Report. Sales of motor vehicles attributable to the Dongfeng Nissan brand constituted approximately 38.7%, 44.6%, 49.5% and 50.7% of our revenue from sales of new vehicles for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. According to the ACMR Report, in 2018, our market share of Dongfeng Nissan vehicles in Zhongshan was approximately 75.5% based on the number of newly licensed vehicles. As at the Latest Practicable Date, we were also the sole Dongfeng Venucia automobile authorised dealer in Zhongshan. In addition, we have also entered into a letter of intent to open a new dealership outlet dedicated to the JETTA brand, which is a new brand of FAW Volkswagen.

Our existing dealerships have established a proven track record and have received a number of significant awards from automobile manufacturers, such as the Nissan Global Award granted to Jucheng Automobile in 2017, and the Outstanding New 4S Dealership Outlet Award* (新建優秀專營店) granted by Dongfeng Nissan to Mingcheng Automobile in 2017.

We believe that our established stable and long-term relationships with leading manufacturers is one of our key competitive advantages in obtaining new dealership authorisations to further expand our dealership network.

We provide high quality customer services.

Our operational expertise is encompassed by our high-quality customer service. Dongri Automobile, our subsidiary before the corporate division, was granted the 2017 PRC Automobile Service Golden Spanner Award in recognition of its excellent customer service. Some of our subsidiaries are recognised performers, as evidenced by the various awards granted by the automobile manufacturers to our subsidiaries, details of which are set out in the paragraph headed “Awards and Achievements” in this section.

We have a dedicated customer relations department that actively engages with our customers through the collection of customer feedback and the delivery of targeted communications and promotions to encourage return visits for vehicle maintenance and purchases of new vehicles. Customers can give us feedback through the conduct of customer surveys, customer service hotlines or our website.

We have an experienced management team and a stable pool of skilled personnel.

We are led by a capable management team with extensive industry experience and strong professional background. Our executive management team includes Mr. Law (our Chairman and executive Director), Mr. Chen Shaoxing (our executive Director) and Ms. Li Huifang (our executive Director and co-head of operation). Mr. Law has over 26 years of experience in the automobile trading and distribution industry. Mr. Chen Shaoxing has over 25 years of experience in accounting and financial management. Ms. Li Huifang has over 16 years of experience in the automobile sale and distribution industry.

Our senior management has been with us for more than ten years. We believe that in our business and company culture plays a vital role in our success, and the long tenure of our management team serves as a testament of the consistency of our culture. We also believe that management's operational experience with our Group have given them in-depth knowledge of our business and customers and contributed significantly to our success. As a customer-oriented business, the quality of our personnel is an essential part of our success.

Please refer to the biographies of our Directors and senior management set out in the section headed "Directors and Senior Management" of this prospectus.

OUR STRATEGIES

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for the intended allocation of net proceeds of the Global Offering and the reasons for and the benefits of the Listing.

Continue to expand our motor vehicle sale and service network through organic growth or selective acquisition

During the Track Record Period, we primarily conducted our businesses through 13 4S dealership outlets, a quick fix auto centre, five quick fix service points and an insurance agency company which are located in Zhongshan within the Guangdong province of the PRC.

Despite the expected negative growth rate of the sales volume of passenger vehicles nationwide in the PRC for 2019 of 1.7% according to the ACMR Report, our Directors are of the view that there is sufficient demand for our expansion of our motor vehicles sale and service network through organic growth or selective acquisition based on the following factors:

- (a) according to the ACMR Report, sales growth of passenger vehicles in the PRC has been migrating to third- and four-tier cities, due to the rapid economic development of third- and four-tier cities. It was supported by the CAGR of the registration number of new passenger vehicles in Zhongshan from 2013 to 2018 being 13.9%, which is higher than the national average of 6.9%. Given that the registration number of new passenger vehicles in Zhongshan from 2019 to 2023 is expected to increase from 141,000 units to 169,000 units

with a CAGR of 4.6%, our Directors are of the view that the expected increase the registration number of new passenger vehicles in Zhongshan has provided a basis for demand of our sales of new vehicles;

- (b) we have recorded an increase in both sales volume and revenue from sales of new vehicles for the four months ended 30 April 2019 as compared to the corresponding period. There was an increase in the sales volume of new vehicles of approximately 12.7%, or 566 units, and our revenue from the sales of motor vehicles increased by approximately RMB42.9 million, or approximately 9.6%, from approximately RMB444.8 million for the four months ended 30 April 2018 to approximately RMB487.7 million for the four months ended 30 April 2019; and
- (c) according to the ACMR Report, the sales volume of new energy passenger vehicles in the PRC grew from approximately 13,000 units in 2013 to approximately 1,053,000 units in 2018, and is expected to grow from approximately 1,443,000 units in 2019 to approximately 3,274,000 units in 2023, representing a CAGR of 22.7%. In addition, our automobile manufacturers launched a number of new energy vehicle models in 2019. As such, our Directors are of the view that new energy passenger vehicle market will expand and it provides a basis for our Group to diversify our motor vehicles sale and service network to new energy vehicles.

We will therefore continue to focus our expansion on areas in Zhongshan and in the Greater Bay Area which has similar industrial-focused demography, disposable income levels and transportation networks. We believe our mid-to-high end sino-foreign and international auto brands and integrated auto service strategies will continue to appeal to the mass market in Zhongshan and in the nearby regions. We plan to expand our motor vehicle sale and service network through organic growth or selective acquisition, details of which are set out below.

1. Organic Growth

We derive a significant portion of our revenue from our sales network which in turn provides a stable source of auto customers for our higher margin other integrated auto services business. As such, we believe strengthening our existing sales network and expanding our sales network are therefore core strategies of our Group.

Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019. We plan to expand our sales network by opening new dealership outlets, namely, the new outlet for Cadillac, the new JETTA brand outlet (which is a new brand of FAW Volkswagen) and the new energy vehicle megastore in locations that will complement our existing sales and services network. Approximately HK\$33.4 million (or approximately 31.1% of the net proceeds of the Global Offering) will be dedicated to financing the opening of the new outlet for Cadillac, the new JETTA brand outlet and the new energy vehicle megastore.

Our Group has already entered into letters of intent for the opening of the Cadillac outlet and the new JETTA brand outlet (which is a new brand of FAW Volkswagen) subject to our Group establishing the dealership outlets to the automobile manufacturers' satisfaction and/or pre-ordering inventories, among other conditions.

At the new energy vehicle megastore, our Group will not limit sales to any particular brands of new energy vehicles. Our Group currently plans to carry multiple domestic and sino-foreign brands at the new energy vehicle megastore. Under our current dealership arrangement

with our automobile manufacturers, we are able to sell new energy vehicles models. In addition, as at the Latest Practicable Date, we were in the process of negotiation with terms of cooperation with two domestic automobile manufacturers of new energy vehicles, and have not entered into any definitive agreements yet.

Jaguar and Land Rover outlet

We started to sell passenger vehicles under the Jaguar and Land Rover brand which is a luxury brand in the second quarter of 2019. According to the ACMR Report, the volume of newly licensed vehicles under the Jaguar and Land Rover brand in the PRC increased from approximately 91,000 in 2013 to approximately 114,000 in 2018, representing a CAGR of approximately 4.5%. Upon commencement of the Jaguar and Land Rover 4S dealership outlet, our brand portfolio is enriched by addition of a luxury motor vehicle brand. For the period from the date of commencement of the Jaguar and Land Rover 4S dealership outlet up to 31 July 2019, the sales volume of the new vehicles under the Jaguar and Land Rover brand was 12 units, contributing approximately RMB5.1 million to the revenue. The total revenue from the Jaguar and Land Rover 4S dealership outlet was approximately RMB5.4 million including sales of motor vehicles and other integrated auto services.

For the Jaguar and Land Rover outlet:

- It is situated at 7 Shagang Road West, Western District, Zhongshan, the PRC with a gross floor area of approximately 7,400 square metres;
- Century Jaguar as lessee entered into a lease agreement with the lessor, Dongri Automobile for the purpose of the Jaguar and Land Rover outlet for a term commencing from 1 February 2019 to 31 December 2021. As the lease agreement constitutes a continuing connected transaction of our Group, the terms and conditions of the lease agreement shall be subject to the terms and conditions under the Property Leasing Framework Agreement. For further details of the Property Leasing Framework Agreement, please refer to the section headed “Connected transactions — Non-exempt connected transaction — 3. Property Leasing Framework Agreement” in this prospectus;
- The lessor of the property had provided the land use right certificate and the building ownership certificate. As advised by our PRC Legal Advisers, the lessor of the premise is its legal owner and we may occupy and use the property if a lease agreement is entered into by us with the lessor;
- The expected breakeven period, which refers to the period of time required for the outlet to generate revenue equal to cost of sales and other operating costs, is approximately three years;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of such outlet since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately six years; and

- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth in the sales of passenger vehicles and other integrated auto services based on the historical performance of Jaguar and Land Rover brand in Zhongshan; (ii) the market conditions and prospects; (iii) the estimated gross profit margin of Jaguar and Land Rover brand; and (iv) the estimated operating expenses with reference to that of our existing 4S dealership outlets.

Outlet for Cadillac

We plan to sell passenger vehicles under the Cadillac which is a luxury brand with market potentials to improve our brand portfolio. According to the ACMR Report, the volume of newly licensed vehicles under the Cadillac in the PRC, increased from approximately 42,000 in 2013 to 228,000 in 2018, representing a CAGR of approximately 39.9%. We expect our new Cadillac outlet to commence operation in the first quarter of 2020.

For the outlet for Cadillac:

- It will be situated at 44 Rainbow Road, Western District, Zhongshan with site area of approximately 3,950 square metres;
- Century Cadillac as lessee entered into a lease agreement with the lessor, Zhongshan New Century for the purpose of the Cadillac outlet for a term commencing from 1 February 2019 to 31 December 2021. As the lease agreement constitutes a continuing connected transaction of our Group, the terms and conditions of the lease agreement shall be subject to the terms and conditions under the Property Leasing Framework Agreement. For further details of the Property Leasing Framework Agreement, please refer to the section headed "Connected transactions — Non-exempt connected transaction — 3. Property Leasing Framework Agreement" in this prospectus;
- For further details of the compliance record of the subject property, please refer to item 1 of the summary of our leased properties with defective titles set out in the section headed "Business — Properties — Our Leased Properties" in this prospectus;
- The expected construction timeline is from November 2018 to December 2019;
- The expected total initial expenditure would be approximately HK\$19.5 million, in which (i) approximately HK\$2.1 million shall be used for capital expenditure for construction; (ii) HK\$1.6 million shall be used for renovation; (iii) HK\$2.0 million shall be used for the cost of furniture and equipment; and (iv) HK\$13.8 million shall be used for purchase of initial inventory;
- As at the Latest Practicable Date, (i) approximately HK\$2.1 million has been used for capital expenditure for construction; (ii) approximately HK\$0.9 million has been used for renovation; and (iii) approximately HK\$0.3 million has been used for the cost of furniture and equipment;

- We expect to incur additional expenditure of HK\$16.2 million, all of which is intended to be funded by the net proceeds of the Global Offering representing approximately 15.1% of the net proceeds after Global Offering;
- The expected breakeven period, which refers to the period of time required for the outlet to generate revenue equal to cost of sales and other operating costs, is approximately one year;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of such outlet since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately three years; and
- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth in the sales of passenger vehicles and other integrated auto services based on the historical performance of Cadillac brand in Zhongshan; (ii) the market conditions and prospects; (iii) the estimated gross profit margin of Cadillac brand; and (iv) the estimated operating expenses with reference to that of our existing 4S dealership outlets.

Outlet for JETTA brand

We have entered into a letter of intent in 2019 to open a new dealership outlet dedicated to JETTA brand (which is a new brand of FAW Volkswagen) in Zhongshan. The new JETTA brand is a new brand in the PRC and, the JETTA brand is intended to close the gap in the PRC between the established Volkswagen brand in the upper volume segment with suggested retail price ranging from approximately RMB100,000 to over RMB300,000 per vehicle based on current vehicle models of Volkswagen brand and entry-level mobility with suggested retail price ranging from approximately RMB40,000 to RMB47,000 per vehicle. Given that there is a gap in the suggested retail price per vehicle between the established Volkswagen brand and the entry-level mobility and the JETTA brand intends to focus on young and first time vehicle buyers with positioning above the PRC's average entry-level price of 5,000 to 6,000 Euros, JETTA has set the lowest suggested retail price of its vehicles at approximately RMB65,800 so as to create an attractive offering in the entry-level segment, which the Volkswagen brand had previously not covered so that JETTA brand would be able to expand the market coverage of the Volkswagen brand. We entered into the letter of intent for opening of the JETTA brand dealership outlet after considering JETTA brand will be a new brand launched by FAW Volkswagen in the PRC with different positioning with FAW Volkswagen, and currently, we are the only automobile dealer who has entered into the letter of intent to be the authorised dealer of JETTA brand in Zhongshan. Our Directors, after considering that customers of age range from 20-40 are the major demand group for passenger vehicles and the JETTA brand is targeting at first time buyers of motor vehicles, believe that the opening of the new JETTA brand dealership outlet will enhance our existing brand portfolio, and as long as we are the sole automobile authorised dealer of JETTA brand in Zhongshan, we will be able to absorb the entire revenue arising from the demand for the passenger vehicles of the JETTA brand in Zhongshan.

BUSINESS

An existing dealership outlet for Beijing Hyundai, Beijing Hyundai Chuangxian Store, will be renovated to accommodate the new JETTA brand dealership. We expect the new JETTA dealership to commence operation in the first quarter of 2020. As at the Latest Practicable Date, we had not commenced any renovation work. For the new JETTA brand dealership outlet:

- it will be situated at 40 Rainbow Road, Western District, Zhongshan with a gross floor area of approximately 465 square metres;
- As at the Latest Practicable Date, we have not entered into any lease agreement for the outlet for JETTA brand. It is expected that the lease agreement for the outlet for JETTA brand shall constitute a continuing connected transaction of our Group, the terms and conditions of the lease agreement shall be subject to the terms and conditions under the Property Leasing Framework Agreement. For further details of the Property Leasing Framework Agreement, please refer to the section headed “Connected transactions — Non-exempt connected transaction — 3. Property Leasing Framework Agreement” in this prospectus;
- The lessor of the property had provided the land use right certificate and the building ownership certificate. As advised by our PRC Legal Advisers, the lessor of the premise is its legal owner and we may occupy and use the property if a lease agreement is entered into by us with the lessor;
- the expected renovation timeline is from September 2019 to December 2019;
- the expected total initial expenditure would be approximately HK\$4.6 million, in which (i) approximately HK\$0.7 million shall be used for renovation and structural addition; (ii) HK\$0.1 million shall be used for the cost of furniture and equipment; and (iii) HK\$3.8 million shall be used for purchase of initial inventory;
- As at the Latest Practicable Date, we have not incurred any expenditure;
- We expect to incur additional expenditure of HK\$4.6 million, of which (i) approximately HK\$4.0 million is intended to be funded by the net proceeds of the Global Offering representing approximately 3.8% of the net proceeds after Global Offering; and (ii) the remaining approximately HK\$0.6 million is intended to be financed by internal resources and/or bank loans;
- The expected breakeven period, which refers to the period of time required for the outlet to generate revenue equal to cost of sales and other operating costs, is approximately one year;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of such outlet since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately one year; and
- The expected breakeven period and expected investment payback period are derived from our Directors’ best estimation after taking into account: (i) the expected revenue and growth in the sales of passenger vehicles and other

integrated auto services based on the historical performance of FAW Volkswagen in Zhongshan; (ii) the market conditions and prospects; (iii) the estimated gross profit margin of the JETTA brand; and (iv) the estimated operating expenses with reference to that of our existing 4S dealership outlets.

New energy vehicles

As stated in the ACMR Report, the sales volume of new energy passenger vehicles in the PRC grew from approximately 13,000 units in 2013 to approximately 1,053,000 units in 2018, and is expected to grow from approximately 1,443,000 units in 2019 to approximately 3,274,000 units in 2023, representing a CAGR of 22.7%. This represents a great opportunity for motor vehicle retailers, as we expect more automobile manufacturers to produce new energy vehicles. We therefore plan to capture this opportunity through the opening of a new energy vehicle megastore. We expect to sell an array of new energy vehicles under various brands at the new energy vehicle megastore. The new energy vehicle megastore is expected to commence operation in 2020.

For the new energy vehicle megastore:

- our Group is locating the premises which will be situated in Zhongshan with a gross floor area of approximately 2,000 square metres. As at the Latest Practicable Date, we have not entered into any lease agreement for the new energy vehicle megastore;
- the expected construction shall commence from November 2019;
- the expected total initial expenditure would be approximately HK\$14.4 million, in which (i) approximately HK\$7.3 million shall be used for capital expenditure for construction; (ii) HK\$3.3 million shall be used for renovation; and (iii) HK\$3.8 million shall be used for purchase of initial inventory;
- As at the Latest Practicable Date, we have not incurred any expenditure;
- We expect to incur additional expenditure of HK\$14.4 million, of which (i) approximately HK\$13.2 million is intended to be funded by the net proceeds of the Global Offering representing approximately 12.2% of the net proceeds after Global Offering; and (ii) the remaining approximately HK\$1.2 million is intended to be financed by internal resources and/or bank loans;
- The expected breakeven period, which refers to the period of time required for the new energy vehicle megastore to generate revenue equal to cost of sales and other operating costs, is approximately one year;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of the new energy vehicle megastore since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately six years; and
- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth in the sales of passenger vehicles and other

integrated auto services based on the historical performance of new energy passenger vehicles in Zhongshan; (ii) the market conditions and prospects; (iii) the estimated gross profit margin of the relevant brand; and (iv) the estimated operating expenses with reference to that of our existing 4S dealership outlets.

We expect the new energy vehicle megastore to commence operation in 2020. As at the Latest Practicable Date, we had not commenced construction of the new energy vehicle megastore.

Upgrading of existing outlets

As at 31 December 2018, the average age of our 4S dealership outlet since its last renovation is approximately four years. A number of our outlets have never been renovated since commencement of business and their average age is approximately six years with a few exceeding seven years old. We plan to give these older outlets a facelift to give our customer a better shopping experience. As at the Latest Practicable Date, we have not commenced any renovation works on our existing outlets but expect to commence such work in 2020. We intend to satisfy the cost of the renovation from our internal resources and/or bank loans.

2. *Selective acquisition*

We also intend to expand through selective acquisition in future and would adopt a prudent approach if we decide to follow this path. We will consider the following factors when pursuing potential acquisition opportunities:

1. Location and market potentials — We will particularly focus our expansion in Zhongshan and the nearby Greater Bay Area which has similar industrial-focused demography, disposable income levels and transportation networks as in Zhongshan. We expect Zhongshan and the Greater Bay Area will have significant growth potential in terms of demand for our mid-to-high end and luxury passenger vehicles and hence increase our market share. We intend to use our local knowledge, relationship and presence in the areas in which we already operate to expand and deepen our coverage in adjacent and nearby areas with strong growth opportunities;
2. Brands — We will continue to focus on mid-to-high end or luxury sino-foreign and international brands and such other brands that will appeal to the demography in Zhongshan and the Greater Bay Area. According to the ACMR Report, the Greater Bay Area has a combined population of 71.2 million as at 31 December 2018. The disposable income levels in nearby cities such as Foshan, Dongguan and Zhuhai are RMB49,630.00, RMB49,331.00 and RMB48,107.00, respectively and which are comparable to that of Zhongshan which is at RMB46,865.00 in 2018;
3. Synergies — We will particularly be interested to focus on targets which do not currently adopt an integrated auto service model. We believe our success in Zhongshan in integrating our comprehensive auto services with the sales network can be replicated in those sales outlets, and this will in turn increase the profitability of such acquisition target;

4. Net asset and profit of potential targets — We will focus on target companies which have net assets in the range of RMB20.0 million to RMB40.0 million (equivalent to approximately HK\$22.0 million to HK\$44.0 million) so the scale of operation would be comparable in size to our existing operation;
5. Valuation and accounting impact of the acquisitions;
6. Findings from due diligence on the acquisition targets; and
7. Challenges and expenses that could arise from integrating the businesses.

We expect to incur capital expenditure of approximately HK\$48.4 million to implement the acquisition plan, of which (i) approximately HK\$27.4 million (or approximately 25.5%) of the net proceeds of the Global Offering) will be used for financing our network's expansion through selective acquisition of other automobile dealership outlets if suitable opportunities arise, and (ii) the remaining HK\$21.0 million is intended to be financed by internal resources and/or bank loans. We plan to acquire one to two automobile dealership outlets by 2020. As at the Latest Practicable Date, we did not have any definitive understanding, commitment or agreement, and we were not engaged in any related negotiation and had not entered into any letter of intent with respect to any acquisitions, alliance, joint ventures or strategic investments.

Expansion of our other integrated auto services

Whilst we derive a significant portion of our revenue from our sales network from sales of motor vehicles, we generate significantly more gross profits from the provision of other integrated auto services to our customers. During the Track Record Period, our revenue from sales of motor vehicles accounted for 85.7%, 85.8%, 85.5% and 85.8% for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively, however the gross profit margin of sales of motor vehicles was only 1.0%, 2.1%, 3.7% and 6.7% during the relevant periods. During the Track Record Period, our revenue from our other integrated auto services businesses accounted for 14.3%, 14.2%, 14.5% and 14.2% of our revenue for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively, and the gross profit margin of integrated auto services was 40.5%, 41.5%, 40.4%, and 27.1% during the relevant period.

Our sales network provides a stable in flow of new customers from sales of motor vehicles for our other integrated auto services business such as repair and maintenance services, insurance agency services, used vehicle warranty services and motor vehicle recall services. We believe customers who use our other integrated auto services will in turn form the customer base of our new customers of sales of motor vehicles. It is therefore one of our core strategies to integrate a comprehensive array of auto services to increase stickiness of our customers and to improve the overall profitability of our business as a whole. We believe this strategy is unique to our Company and it maintains an one-stop ecosystem to best serve our customers' auto needs.

BUSINESS

During the Track Record Period, we conduct our other integrated auto services primarily through the different service desks within our 13 4S dealership outlets, a quick fix auto centre, five quick fix service points and an insurance agency company. We also have a used vehicle trading centre which commenced operation in October 2018. All of our business premises are located in Zhongshan within the Guangdong province of the PRC. During the Track Record Period, the services we delivered at the various locations are as follows:

Points of Sale	Types of Service	Clientele
1. 4S dealership outlets	Complex repair services, standard maintenance and car care services, new vehicle warranty service, insurance agency services, accessories, used vehicle services	Mainly serve owners of passenger vehicles under the brands covered by the respective authorised dealerships
a) Quick fix service points	Standard maintenance and car care services, accessories	Open to all types of customers
2. Quick fix auto centre	Quick fix services, standard maintenance and car care services, accessories	Open to all types of customers
3. Insurance agency company	Insurance agency services primarily consisting of motor vehicle insurance agency services	Open to all types of customers

We intend to leverage on our strong presence and well-established customer base in Zhongshan to further develop our other integrated auto services. Approximately HK\$30.2 million (or approximately 28.1% of the net proceeds of the Global Offering) will be used for financing the expansion of our other integrated auto services, the details of which are set out below:

(i) Expanding our service network

Due to the economic development and increased income in second-tier and third-tier cities, the demand for motor vehicles increases rapidly. Accordingly, automobile services, such as repair and maintenance services, insurance agency services, used vehicle warranty services and used vehicles services are therefore becoming a natural extension of ownership of motor vehicles. Speed and convenience in the delivery of quality auto services and the ability to customise such services based on actual need of the customers are essential in the auto service market.

Customers are increasingly becoming price sensitive. Hence, being able to compete on pricing, and to provide prompt, personalised and reliable repair and maintenance services, motor vehicle insurance agency services and used vehicle services are key important factors in winning new customers and retaining existing customers in the changing consumer spending habits.

Quick fix auto centres

We plan to open around 20 additional quick fix auto centres in Zhongshan and the Greater Bay Area by the end of 2021. The new quick fix auto centres will be strategically located in relatively populous areas such as locations close to shopping malls or the stores of other automobile service providers so we can provide standardise, speedy, convenient and low cost solutions for less complicated auto repair and maintenance work. These centres will also act as a network where we will be within reach of our customers to drop in and pick up vehicles which require major servicing, with such work being carried out off-site at one of our fully equipped repair and maintenance centres at our 4S dealership outlets.

Of the 20 additional quick fix auto centres, we plan for at least 10 of which to be based in Zhongshan. According to the ACMR Report, Zhongshan has a population of 3.3 million as at 31 December 2018 and from 2013 to 2018, the registration number of new passenger vehicles in Zhongshan increased from 73,000 units to 140,000 units, representing a CAGR of 13.9%, higher than the average level of Guangdong province of 11.2% and national average of 6.9%. Meanwhile, share of the registration number of new passenger vehicles of Zhongshan in Guangdong province increased from 5.8% to 6.5% from 2013 to 2018.

The new quick fix auto centres will operate on a standalone basis. We believe that we will be able to expand our auto service clientele beyond the existing customer base we have built through our 4S dealership network.

For the quick fix auto centres:

- our Group is locating the premises in the Greater Bay Area initially mainly in Zhongshan with a gross floor area of approximately 200 square metres for each quick fix auto centre and we will open additional quick fix auto centres in the Greater Bay Area after considering our strategic needs and availability of premises. As at the Latest Practicable Date, we have not entered into any lease agreement for the aforementioned new quick fix auto centres;
- the expected construction of the first quick fix auto centre shall commence from October 2019;
- the expected total initial expenditure would be approximately HK\$11.0 million, in which approximately (i) HK\$5.7 million shall be used for expenditure for car cleaning equipment and minor repair equipment; (ii) HK\$0.2 million shall be used for purchase of initial inventory; (iii) approximately HK\$1.5 million shall be used for marketing expenses; (iv) approximately HK\$2.1 million shall be used for rental expenses; and (v) approximately HK\$1.5 million shall be used for hiring nine new staff for each quick fix auto centre;
- As at the Latest Practicable Date, we have not incurred any expenditure;

- We expect to incur expenditure of approximately HK\$11.0 million to establish these quick fix auto centres which is intended to be funded by the net proceeds of the Global Offering (representing approximately 10.2%) of the net proceeds of the Global Offering);
- The expected breakeven period, which refers to the period of time required for the quick fix auto centres to generate revenue equal to cost of sales and other operating costs, is approximately four years;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of the quick fix auto centres since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately six years; and
- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth of the quick fix auto centres based on the our historical performance; (ii) the market conditions and prospects; (iii) the estimated gross profit margin; and (iv) the estimated operating expenses with reference to that of our existing quick fix auto centre.

We believe, when strategically and conveniently placed in populous locations in Zhongshan, we will increase our market share in the auto service market. Our cost of setting up a quick fix auto centre which is intended to serve all types of customers is approximately HK\$0.6 million. The relatively lower cost structure will allow us to price more competitive on “quick-fix” and less complicated repair and maintenance work, such as car wash, waxing, car seat leather caring, etc.

In addition, in opening the additional quick fix auto centres in Zhongshan and the Greater Bay Area, we believe that we are able to expand our one-stop automobile ecosystem and transfer our existing customers from other part of our business, including sales of motor vehicles, repair services, insurance agency services, the sales of accessories to the quick fix services and vice versa. It is expected that our customer base would be enriched and more revenue would be generated.

Used vehicle services

According to the ACMR Report, the revenue generated from used vehicle businesses in the PRC increased from approximately RMB261.2 billion in 2013 to approximately RMB1,079.0 billion in 2018, representing a CAGR of 32.8%.

Since 2004, the PRC government has launched a number of policies in favour of the used vehicle businesses. For example, in March 2018, the State Council of the PRC issued the Report on the Work of the Government pursuant to which the used vehicle market was further deregulated by lifting the restrictions against the relocation of used vehicles in the PRC.

We believe the used vehicle market has growth potential and the provision of used vehicle related services can complement our other integrated auto services strategy. Our ability to provide reliable used vehicle services including used vehicle warranty can in turn provide used vehicle purchasers with confidence in purchasing used vehicles managed by us both from a quality and from an ongoing repair and maintenance coverage perspective. To enhance our other integrated auto services ecosystem, we started to provide used vehicle warranty services in May 2017 and opened a used vehicle trading centre which commenced operation in October 2018 to further develop our used vehicle operation. Our used vehicle trading centre provides used vehicle management services which currently mainly consist of used vehicle licensing services.

— Used vehicle marketplaces and office building for used vehicle marketplace

Currently, we provide used vehicle services through our 13 4S dealership outlets and our used vehicle trading centre. We plan to open three used vehicle marketplaces, an office building for used vehicle marketplace in Zhongshan by 2020. They would provide dedicated one-stop used vehicle services which include a physical trading platform for used vehicle valuation and auction services and specifically, the following:

- **trading and auction of used vehicles:** the used vehicle marketplaces will provide a platform where (i) our Company will trade used vehicles and gain profit from the difference between the selling price and the costs of the used vehicles acquired by us, and (ii) our Company will provide used vehicle auction services and receive handling fees;
- **handling title transfer:** our Company will help our customers to handle the registration of title transfer of the used vehicle from the previous owner and issue of transfer invoices. Our Company will receive handling fees for provision of such services; and
- **renting booths to used vehicle traders:** in addition to selling used vehicles ourselves, our Group will also designate certain area within the used vehicle marketplace in which booths will be leased to other used vehicle traders and receive rental income for the spaces provided.

For the three used vehicle marketplaces and the office building for used vehicle marketplace:

- one of the used vehicle marketplace will be situated at 41 Minzhong Road North, Zhongshan, with gross floor area of approximately 1,700 square metres. Our Group is locating the premises of the other two used vehicle marketplaces which will be situated in Zhongshan with gross floor area of approximately 2,000 square metres each for the used vehicle marketplaces and approximately 1,400 square metres for the office building for used vehicle marketplace;
- As at the Latest Practicable Date, we have not entered into any lease agreement for the three used vehicle marketplaces and office building for used vehicle marketplace. It is expected that the lease agreement for the used vehicle marketplace situated at 41 Minzhong Road North, Zhongshan shall constitute a continuing connected transaction of our Group, the terms and conditions of the lease agreement shall be subject to the terms and conditions under the Property Leasing Framework Agreement. For further details of the Property Leasing Framework Agreement, please refer to the section headed “Connected transactions — Non-exempt connected transaction — 3. Property Leasing Framework Agreement” in this prospectus;
- For details of the compliance record of the subject land, please refer to item 2 of the summary of our leased properties with defective titles set out in the section headed “Business — Properties — Our Leased Properties” in this prospectus;
- the expected construction of the first additional used vehicle marketplace and office building for used vehicle marketplace shall commence from October 2019;
- the expected total initial expenditure would be approximately HK\$13.7 million, in which (i) approximately HK\$11.8 million shall be used as capital expenditure for construction; and (ii) HK\$1.9 million shall be used for renovation;
- As at the Latest Practicable Date, we have not incurred any expenditure;
- We expect to incur expenditure of approximately HK\$13.7 million to establish the three used vehicle marketplaces and an office building for used vehicle marketplace which is intended to be funded by the net proceeds of the Global Offering (representing approximately 12.8%) of the net proceeds of the Global Offering);
- The expected breakeven period, which refers to the period of time required for the three used vehicle marketplaces and the office building for used vehicle marketplace to generate revenue equal to cost of sales and other operating costs, is approximately two years;

- The expected investment payback period, which refers to the period of time required for accumulated net profit of the three used vehicle marketplaces and the office building for used vehicle marketplace since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately five years; and
- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth in used vehicle business based on the historical performance of the used vehicle market in Zhongshan; (ii) the market conditions and prospects; (iii) our expected market share of used vehicle marketplaces; (iv) the estimated gross profit margin; and (v) the estimated operating expenses with reference to that of our existing dealership outlets.

— Used vehicle warranty centre

Our used vehicle warranty services entails the provision of warranty on the quality of used vehicles. Subscribers of our warranty services will enjoy free or discounted repair coverage and maintenance in our 4S dealership outlets within a designated period of time. During the Track Record Period, such used vehicle warranty services were provided through our 13 4S dealership outlets and our used vehicle trading centre. In order to differentiate our used vehicle warranty services from our other used vehicle services, we plan to open a used vehicle warranty centre in Zhongshan by 2020 so that the used vehicle warranty centre will be a dedicated service point for used vehicle warranty services.

In the used vehicle warranty centre, we will offer used vehicle warranty services including (i) assessment of used vehicle warranty fees based on physical inspection of conditions of used vehicles; (ii) sales of used vehicle warranty services; and (iii) after sales services and customer enquiry under the valid warranty plans. Our staff may also refer our customers with our other used vehicle services should there be such needs from our used vehicle warranty customers.

For the used vehicle warranty centre:

- our Group is locating the premises which will be situated in Zhongshan with a gross floor area of approximately 800 square metres. As at the Latest Practicable Date, we have not entered into any lease agreement for the used vehicle warranty centre;
- the expected construction shall commence from January 2020;
- the expected total expenditure would be approximately HK\$2.2 million, in which (i) approximately HK\$1.2 million shall be used for renovation; (ii) HK\$0.1 million shall be used as costs of furniture and equipment; (iii) approximately HK\$0.2 million shall be used as marketing expenses; (iv) approximately HK\$0.6 million shall be used as rental expenses; and (v) approximately HK\$0.1 million shall be used as hiring eight staff;
- As at the Latest Practicable Date, we have not incurred any expenditure;

- We expect to incur expenditure of approximately HK\$2.2 million to establish a used vehicle warranty centre which is intended to be funded by the net proceeds of the Global Offering (representing approximately 2.0%) of the net proceeds of the Global Offering);
- The expected breakeven period, which refers to the period of time required for used vehicle warranty centre to generate revenue equal to cost of sales and other operating costs, is approximately one year;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of the used vehicle warranty centre since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately six years; and
- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth in used vehicle warranty business based on the historical performance of used vehicle market in Zhongshan; (ii) the market conditions and prospects; (iii) the estimated gross profit margin; and (iv) the estimated operating expenses with reference to that of our 4S existing dealership outlets.

We plan to collaborate with online automobile platform operators and established used vehicle suppliers to build recognition of our services and to expand our customer base. As at the Latest Practicable Date, we have already entered into a referral and marketing agreement with an established online integrated service provider in the PRC which according to its website, covers sales of motor vehicles, finance, recruitment and lifestyle products.

(ii) Increase cross-selling efforts regarding insurance agency services and enhance overall profitability

We intend to increase the level of cross-selling between our business units, especially in relation to our insurance agency business, as well as enhancing our overall profitability through our insurance agency services which entail gross profit margin of over 90% during the Track Record Period. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our insurance agency business generated gross profit of RMB30.0 million, RMB37.0 million, RMB27.8 million and RMB3.3 million, respectively.

According to the ACMR Report, from 2013 to 2018, the insurance premium derived from motor vehicle insurance increased from approximately RMB472.1 billion to RMB783.4 billion, representing a CAGR of 10.7%. It is expected that in 2023, the insurance premium derived from motor vehicle insurance will reach approximately RMB1,012.7 billion with a CAGR of 5.2%.

As mentioned above, value-adding automobile services such as insurance agency services have become a natural extension of ownership of motor vehicles. Ability to customise insurance services based on actual need of the customers is essential in this motor vehicle insurance market. We will leverage on the wealth of information on our customers' spending, repair and accident records we have accumulated from our long history of operation and provide personalised insurance solutions for our customers.

BUSINESS

We currently provide a variety of insurance agency services (including promoting and handling motor vehicle insurance services) through our subsidiary, Chuangcheng Insurance, through one of our 13 4S dealership outlets with a concurrent insurance agency licence. As our Group shall intend to expand our insurance business to not only motor vehicle insurance product, we considered setting up a dedicated insurance agency office would help developing our Group as an insurance agency than a 4S dealership group with insurance business. We plan to set up an insurance agency office dedicated to sales and marketing of our insurance agency services, including auto and non-auto related insurance products in Zhongshan in the first quarter of 2020.

For the insurance agency office:

- our Group is locating the premises which will be situated in Zhongshan with a gross floor area of approximately 1,200 square metres. As at the Latest Practicable Date, we have not entered into any lease agreement for our insurance agency office;
- the expected construction shall commence from October 2019;
- the expected total initial expenditure would be approximately HK\$3.3 million, in which (i) approximately HK\$1.6 million shall be used capital expenditure for renovation; (ii) HK\$0.1 million shall be used for the cost of furniture and equipment; (iii) HK\$0.4 million shall be used for marketing expenses; (iv) HK\$1.0 million shall be used for rental expenses; and (v) HK\$0.2 million shall be used for hiring approximately 15 insurance agents;
- As at the Latest Practicable Date, we have not incurred any expenditure;
- We expect to incur capital expenditure of approximately HK\$3.3 million to establish an insurance agency office which is intended to be funded by the net proceeds of the Global Offering (representing approximately 3.1%) of the net proceeds of the Global Offering);
- The expected breakeven period, which refers to the period of time required for the insurance agency office to generate revenue equal to cost of sales and other operating costs, is approximately one year;
- The expected investment payback period, which refers to the period of time required for accumulated net profit of the insurance agency office since the commencement of its operation to recover the total capital expenditure incurred for setting up its operation, is approximately one year; and
- The expected breakeven period and expected investment payback period are derived from our Directors' best estimation after taking into account: (i) the expected revenue and growth in insurance agency services based on the historical performance of insurance agency services; (ii) the market conditions and prospects; (iii) the estimated gross profit margin of the insurance agency services; and (iv) the estimated operating expenses with reference to that of our existing dealership outlets.

(iii) Big data analysis and online marketing

We plan to focus on automating certain aspect of our data collection and analysis tools into an information technology service provider and information technology platform to enable more streamlined data collection, analysis and the integration of our online and offline services. This will in turn allow us to leverage on our longstanding experience in Zhongshan and our customers' past spending behaviors to (i) better evaluate the performance of our different business units and (ii) conduct personalised marketing strategies to increase the success rate of cross-selling and hence our profit per customer.

More specifically, for internal assessment purposes, we will continue to focus on increasing our operational efficiency in all areas of our business, including centralisation of inventory procurement, capital pooling and management, financial reporting, price control, customer service management, spare parts and accessories management, real-time inventory monitoring and internal inventory allocation. Using our information technology systems, we will continue to collect and analyse a variety of data relating to each of our service areas to enhance our operational processes, strategies and decision support.

To better serve our customers, we plan to further invest in information technology system to facilitate the provision of customer services through online medium and social media (such as booking an appointment or providing online access to vehicle history and condition to car owners) and the integration of such services with related offline services (such as test drive or quick fix). We believe this would increase our overall competitiveness.

Approximately HK\$11.0 million (or approximately 10.2% of the net proceeds of the Global Offering) will be used for optimising and upgrading our information technology system.

In relation to our organic growth of our expansion network, our Directors expect that the depreciation expenses will increase due to the capital expenditure. In relation to the expansion of our other integrated auto services, our Directors expect that (i) the cost of sales will increase due to the additional staff being employed, e.g. for insurance services; and (ii) the marketing expenses will increase.

Given that the gross profit margin of other integrated auto services such as insurance agency services business is higher than the sales of motor vehicles, our Directors expect that our net profit margin will increase.

As our future plans involve building our own premises for outlets and leasing of properties for quick fix auto centres, our Directors considered that such structure of initial investment costs would provide flexibility in controlling the timeframe of the expansion and the risk for such expansion could be managed more easily.

OUR BUSINESS**OUR DEALERSHIP NETWORK****Our Existing Network**

During the Track Record Period, we primarily conducted our businesses through 13 4S dealership outlets, a quick fix auto centre five quick fix service points and an insurance agency company which are located in Zhongshan within the Guangdong province of the PRC.

According to the ACMR Report, in 2018, Guangdong province was the largest market in terms of the volume of newly licensed passenger vehicles in the PRC, with a market share of approximately 10.3%. Zhongshan is a major passenger vehicle market within the Guangdong province. With rapid economic growth and increasing consumer purchasing power, demand for passenger vehicles in Zhongshan has increased rapidly. From 2013 to 2018, the registration number of new passenger vehicles in Zhongshan increased from 73,000 units to 140,000 units, representing a CAGR of 13.9%, higher than the average level of Guangdong province of 11.2% and national average of 6.9%. Meanwhile, share of the registration number of new passenger vehicles of Zhongshan in Guangdong province increased from 5.8% to 6.5% from 2013 to 2018. In the same period, sales revenue of new passenger vehicles in Zhongshan increased from RMB12.3 billion to RMB23.7 billion, with a CAGR of 14.0%. Passenger vehicle market in Zhongshan is expected to continue to grow rapidly in the following years.

Our Group commenced the operation of the first 4S dealership outlet in Zhongshan in 2002, engaging in sales of passenger vehicles under the brand FAW Volkswagen. The period from 2002 to 2016 marked a steady expansion of our dealership outlet network. Following the establishment of our first dealership outlet, we obtained support from Dongfeng Nissan, Beijing Hyundai and for FAW Toyota. In 2004, our dealership outlet for Beijing Hyundai commenced operation. In 2005, our dealership outlet for FAW Toyota commenced operation. In 2007, we acquired Dongri Automobile which had operated a Dongfeng Nissan dealership outlet at the time of acquisition.

To enhance overall profitability and complement our sales of motor vehicles business, we opened a quick fix auto centre in 2015, commenced our used vehicle warranty business in May 2017 and an insurance agency and a used vehicle trading centre to further develop our used vehicle operation in October 2018. Our quick fix business has developed into a chain consisting of a quick fix auto centre and five quick fix service points within our 4S dealership outlets over the years.

BUSINESS

The table below sets forth the locations of our 4S dealership outlets as at the Latest Practicable Date:

Outlet	Location	Operation commencement date (Note 1)	Expiry date of dealership agreement	Nature of property interest (Expiry of lease) (Note 12)
<i>Dongfeng Nissan</i>				
1. Dongfeng Nissan Dongri Store (創世紀東風日產西區東日店)	7 Shagang Road West, Western District, Zhongshan	May 2007 (Note 3)	31 December 2020 (Note 4)	Leased property (31 December 2021) (Note 13)
2. Dongfeng Nissan Jucheng Store (創世紀東風日產小欖菊城店)	Block 3-225, 3-226, Industrial District, Eastern Village Jucheng Road West, Zhongshan	May 2008	31 December 2020 (Note 4)	Leased property (31 July 2027)
3. Dongfeng Nissan Chuangcheng Store (創世紀東風日產民眾創誠店)	41 Minzhong Road North, Zhongshan	September 2014	31 December 2020 (Note 4)	Leased property (31 December 2021) (Note 13)
4. Dongfeng Nissan Chuangri Store (創世紀東風日產南區創日店)	33 Chengnan 4th Road, Southern District, Zhongshan	October 2011	31 December 2020 (Note 4)	Owned property
5. Dongfeng Nissan Mingcheng Store (創世紀東風日產東區名城店)	361 Changjiang Road North, Eastern District, Zhongshan	October 2016	31 December 2020 (Note 4)	Leased property (31 December 2029)
<i>Beijing Hyundai</i>				
6. Beijing Hyundai Chuangxian Store (創世紀北京現代西區創現店)	40 Rainbow Road, Western District, Zhongshan	January 2004	31 December 2019 (Note 6)	Leased property (31 December 2021) (Note 13)
7. Beijing Hyundai Chengnan Store (創世紀北京現代南區城南店)	1(1) Chengnan 4th Road, Southern District, Zhongshan	July 2012	31 December 2019 (Note 6)	Leased property (15 May 2041)
<i>FAW Toyota</i>				
8. Toyota Western District Store (創世紀一汽豐田西區店) (Note 2)	91 Rainbow Road, Western District, Zhongshan	March 2005	30 June 2022 (Note 7)	Leased property (31 December 2021) (Note 13)

BUSINESS

Outlet	Location	Operation commencement date <i>(Note 1)</i>	Expiry date of dealership agreement	Nature of property interest (Expiry of lease) <i>(Note 12)</i>
FAW Volkswagen				
9. Volkswagen Western District Store (創世紀一人大眾西區店)	40 Rainbow Road, Western District, Zhongshan	October 2002 <i>(Note 5)</i>	30 April 2021 <i>(Note 8)</i>	Leased property (31 December 2021) <i>(Note 13)</i>
Dongfeng Venucia				
10. Dongfeng Venucia Dongyue Store (創世紀東風啟辰西區東月店)	7 Shagang Road West, Western District, Zhongshan	January 2013	30 June 2020 <i>(Note 9)</i>	Leased property (31 December 2021) <i>(Note 13)</i>
11. Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店)	361 Changjiang Road North, Eastern District, Zhongshan	October 2016	30 June 2020 <i>(Note 9)</i>	Leased property (31 December 2029)
Buick				
12. Buick Chuangtong Store (創世紀別克南區創通店)	1(2) Chengnan 4th Road, Southern District, Zhongshan	June 2012	30 June 2022 <i>(Note 10)</i>	Leased property (15 May 2041)
Chevrolet				
13. Chevrolet Chuangzhi Store (創世紀雪佛蘭西區創志店)	44 Rainbow Road, Western District, Zhongshan	March 2013	30 June 2020 <i>(Note 11)</i>	Leased property (31 December 2021) <i>(Note 13)</i>
Jaguar and Land Rover				
14. Jaguar and Land Rover Century Jaguar Store (創世紀捷豹路虎西區店)	7 Shagang Road West, Western District, Zhongshan	June 2019	30 March 2024 <i>(Note 14)</i>	Leased Property (31 December 2021) <i>(Note 13)</i>

Notes:

1. Operation commencement date refers to the date an outlet commenced business operation which is determined with reference to the date of the first sales invoice issued by an outlet to a customer or the date of the first sales contract entered into between our Group and a customer, whichever is earlier.
2. We also operate a Sanxiang Store for FAW Toyota as a satellite store to our 4S dealership outlet of FAW Toyota.
3. In July 2007, we acquired Dongri Automobile which had already operated a Dongfeng Nissan dealership outlet in Zhongshan at the time of acquisition.
4. The dealership agreement may be renewed upon mutual agreement. A written notice for renewal is required to be served at least three months prior to the expiry of the term.
5. Prior to the commencement of the FAW Volkswagen 4S dealership in 2002, this store was used as a car bazaar.
6. The dealership agreement was renewed until 31 December 2019 and will be automatically renewed until execution of dealership agreement in 2020. Upon its expiry, it can only be automatically renewed once. The dealership agreement may be renewed again upon mutual agreement. A notice for renewal is required to be served at least three months prior to the expiry of the renewed term. We plan to renew the dealership by serving the requisite renewal notice.
7. The dealership agreement was executed on 1 July 2019.
8. The dealership agreement was executed on 30 April 2018 and has a term of three years from the date of execution. It may be renewed upon mutual agreement. Our Group is required to submit a written renewal application at least six months prior to the expiry of the term.
9. The dealership may be renewed upon mutual agreement. A written notice for renewal is required to be served at least three months prior to the expiry of the term.
10. The dealership agreement was executed on 1 July 2019. The dealership may be renewed upon mutual agreement. A written notice for renewal is required to be served at least 30 days prior to the expiry of the term.
11. The dealership may be renewed upon mutual agreement. A written notice for renewal is required to be served at least 30 days prior the expiry of the term.
12. Please refer to the paragraph headed “Properties” in this section for more details of our owned and leased properties with defective titles and the latest status.
13. These premises are leased from our Controlling Shareholder, Mr. Law to our Group under the Property Leasing Framework Agreement. Please refer to the section headed “Connected Transactions” in this prospectus for more details.
14. The dealership may be renewed upon mutual agreement. A written notice for renewal is required to be served at least three months prior to the expiry of the term.

BUSINESS

The following table sets forth a breakdown of 4S dealership outlets operated by us by vehicle brands as at each of the dates indicated and movement during the respective period:

	Number of 4S dealership outlets as at			Number of 4S dealership outlets as at			Number of 4S dealership outlets as at			Number of 4S dealership outlets as at		
	1 January 2016		Movement during the year ended 31 December 2016	31 December 2016		Movement during the year ended 31 December 2017	31 December 2017		Movement during the year ended 31 December 2018	31 December 2018		
		Newly opened	Closed		Newly opened	Closed		Newly opened	Closed			
Dongfeng Nissan	4	1	—	5	—	—	5	—	—	5		
Beijing Hyundai	2	—	—	2	—	—	2	—	—	2		
FAW Toyota	1	—	—	1	—	—	1	—	—	1		
FAW Volkswagen	1	—	—	1	—	—	1	—	—	1		
Dongfeng Venucia	1	1	—	2	—	—	2	—	—	2		
Buick	1	—	—	1	—	—	1	—	—	1		
Chevrolet	1	—	—	1	—	—	1	—	—	1		
Domestic Brand <i>(Note)</i>	1	—	—	1	—	1	—	—	—	—		
Jaguar and Land Rover	—	—	—	—	—	—	—	—	—	—		
Total	12	2	—	14	—	1	13	—	—	13		

	Number of 4S dealership outlets as at 31 December 2018				Movement during the four months ended 30 April 2019		Number of 4S dealership outlets as at 30 April 2019		Movement from 1 May 2019 to the Latest Practicable Date		Number of 4S dealership outlets as at the Latest Practicable Date		
					Newly opened		Closed			Newly opened		Closed	
Dongfeng Nissan	5				—		—	5		—		—	5
Beijing Hyundai	2				—		—	2		—		—	2
FAW Toyota	1				—		—	1		—		—	1
FAW Volkswagen	1				—		—	1		—		—	1
Dongfeng Venucia	2				—		—	2		—		—	2
Buick	1				—		—	1		—		—	1
Chevrolet	1				—		—	1		—		—	1
Domestic Brand <i>(Note)</i>	—				—		—	—		—		—	—
Jaguar and Land Rover	—				—		—	—		1		—	1
Total	13				—		—	13		1		—	14

Note: During the Track Record Period, we operated a 4S dealership outlet dedicated to the Domestic Brand until the dealership was terminated in July 2017, primarily because our business focus was on mid-to-high end sino-foreign or international brands.

Save as disclosed, during the Track Record Period and up to the Latest Practicable Date, none of our dealership agreements were terminated by any automobile manufacturers, nor did any automobile manufacturers refuse to renew any of our dealership agreements, nor have we received any written notice for the termination of any of our dealership agreements. There was no material adverse change in the terms of our dealership agreements during the Track Record Period and up to the Latest Practicable Date.

We require approval from our automobile manufacturers to open new stores. We select new store locations by taking into account our automobile manufacturers' instructions and preferences and other factors such as local per capita disposable income, consumption patterns and ownership rates of motor vehicles. In selecting a new store venue, we consider factors including convenience and ease of access, traffic flow, parking availability, proximity to affluent areas, distance from other 4S dealership stores, and size and floor area ratio of the site. Each completed 4S dealership outlet must pass the automobile manufacturer's inspection before it can commence its operations.

Taking into account the total expenditure of construction of buildings owned by our Group prior to the Reorganisation and renovation of 4S dealership outlets, for those 4S dealership outlets which have met the payback or breakeven point during the Track Record Period, the investment payback period, which refers to the period of time required for accumulated net profit of each relevant 4S dealership outlets to recover the total capital expenditures based on historical management accounts, ranged from approximately four to ten years, while the breakeven period which refers to the period of time required for each relevant 4S dealership outlets to generate revenue equal to cost of sales and other indirect costs based on historical management accounts, ranged approximately one to five years from the date of commencement of operation of those 4S dealership outlets.

The table below sets forth revenue from each 4S dealership outlet and the same store growth of each 4S dealership outlet during the Track Record Period, which represent financial information of each of our subsidiary operating the relevant 4S dealership outlet, except for (i) Mingcheng Automobile, which has been operating Dongfeng Nissan Mingcheng Store and Dongfeng Venucia Mingcheng Store and (ii) the 40 Rainbow Road, Western District Store, which had operations under FAW Volkswagen, Beijing Hyundai and the Domestic Brand, and their respective financial information is set out separately. In addition, the table below did not include the financial information of Fast Lane Services, Chuangcheng Insurance, New Century Second-hand Car, Century Jaguar and Century Cadillac.

BUSINESS

	Revenue				Same store growth			
	For the year ended		For the four months ended		2017 vs 2016		2018 vs 2017	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	RMB'000	%	RMB'000	%
Dongfeng Nissan Dongri Store (創世紀東風日產西區東日店)	291,176	303,829	346,540	107,742	12,653	4.3	42,711	14.1
Dongfeng Nissan Jucheng Store (創世紀東風日產小龍城店)	160,239	187,489	194,487	61,067	27,250	17.0	6,998	3.7
Dongfeng Nissan Chuangcheng Store (創世紀東風日產民眾創城店)	76,865	97,070	95,719	25,812	20,205	26.3	(1,351)	(1.4)
Dongfeng Nissan Chuangri Store (創世紀東風日產南區創日店)	149,755	154,806	176,134	51,164	5,051	3.4	21,328	13.8
Dongfeng Nissan Mingcheng Store (創世紀東風日產東區名城店) (Note 1)	26,687	83,659	108,013	24,026	56,972	213.5	24,354	29.1
Beijing Hyundai Chengnan Store (創世紀北京現代南區城南店)	77,765	47,201	60,573	12,930	(30,564)	(39.3)	13,372	28.3
Toyota Western District Store (創世紀一汽豐田西區店)	272,314	280,911	275,664	83,426	8,597	3.2	(5,247)	(1.9)
40 Rainbow Road Western District Store (創世紀西區店) (Note 2)	439,115	377,982	337,182	106,795	(61,133)	(13.9)	(40,800)	(10.8)
— FAW Volkswagen (Note 3)	135,497	131,377	131,017	41,062	(4,120)	(3.0)	(360)	(0.3)
— Beijing Hyundai (Note 3)	192,267	139,400	127,956	49,154	(52,867)	(27.5)	(11,444)	(8.2)
— Domestic Brand (Note 3)	37,127	33,626	5,503	0	(3,501)	(9.4)	(28,123)	(83.6)
— Used vehicles and other integrated auto services (Note 4)	74,224	73,579	72,706	16,579	(645)	(0.9)	(873)	(1.2)
Dongfeng Venucia Dongyue Store (創世紀東風啟辰西區東月店)	103,254	104,550	110,115	28,827	1,296	1.3	5,565	5.3
Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店) (Note 1)	2,256	23,884	26,993	8,735	21,628	958.7	3,109	13.0
Buick Chuangtong Store (創世紀別克南區創通店)	141,876	127,357	119,677	26,804	(14,519)	(10.2)	(7,680)	(6.0)
Chevrolet Chuangzhi Store (創世紀雪佛蘭西區創志店)	92,833	115,600	87,875	20,589	22,767	24.5	(27,725)	(24.0)
Total	1,834,135	1,904,338	1,938,972	557,917	70,203	3.8	34,634	1.8

Notes:

- (1) Dongfeng Nissan Mingcheng Store and Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店) commenced operation in October 2016.
- (2) 40 Rainbow Road Western District Store (創世紀西區店) comprises two 4S dealership outlets, namely Volkswagen Western District Store (創世紀一汽大眾西區店) and Beijing Hyundai Chuangxian Store (創世紀北京現代西區創現店). The revenue of 40 Rainbow Road Western District Store (創世紀西區店) during the Track Record Period included (i) the sales of new vehicles of three brands, i.e. FAW Volkswagen, Beijing Hyundai and Domestic Brand, and (ii) the sales of used vehicles and other integrated auto services.
- (3) The amount of revenue represented the revenue generated from the sales of new vehicles of the respective brand at 40 Rainbow Road, Western District Store.
- (4) The amount of revenue represented the revenue generated from the sales of used vehicles and other integrated auto services at 40 Rainbow Road, Western District Store.

Our Network Expansion

Our network expansion to date has been achieved through organic growth, and to a lesser extent, selective acquisition and we improved our network during the Track Record Period in an effort to optimise our brand portfolio. In 2007, we acquired Dongri Automobile, which was an authorised dealer of passenger vehicles under the Dongfeng Nissan brand and had already operated a dealership outlet at the time of acquisition. Save for the acquisition of Dongri Automobile, we established all the other 4S dealership outlets. In the second quarter of 2019, our Jaguar and Land Rover 4S dealership outlet commenced operation.

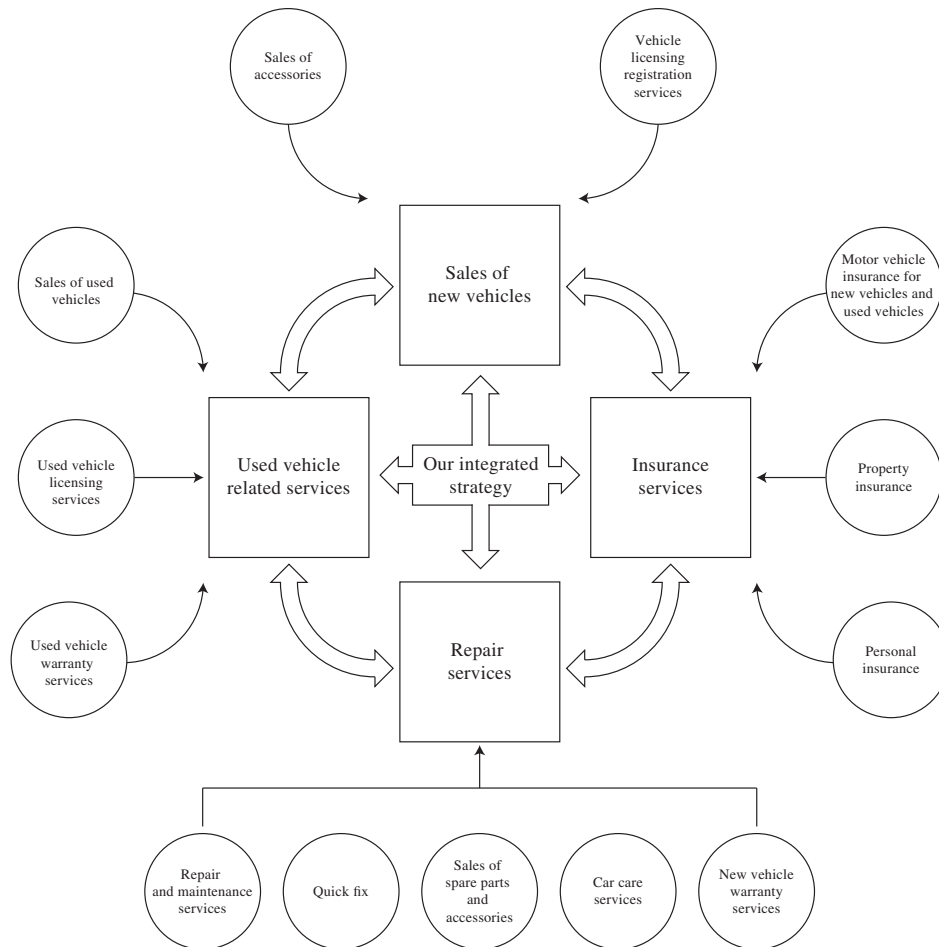
As at the Latest Practicable Date, the new outlet for Cadillac is under construction and is expected to commence operation in the first quarter of 2020, and we had entered into letter of intent to establish an additional dealership outlet dedicated to the JETTA brand (which is a new brand of FAW Volkswagen) in Zhongshan which is expected to commence operation in the first quarter of 2020.

Please refer to the sections headed “Future Plans and Use of Proceeds” in this prospectus for more details of our expansion plan.

OUR BUSINESS SEGMENTS

Our business segments include the following: (1) the sales of motor vehicles (both new and used vehicles); and (2) other integrated auto services, that is, (i) repair services (including repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services); (ii) sales of accessories; (iii) insurance agency services; and (iv) other value-added services (including vehicle licensing registration services and registration of title transfer of used vehicles).

It is one of our core strategies to foster an one-stop automobile ecosystem by integrating a comprehensive array of auto services to increase stickiness of our customers and to improve the overall profitability of our business as a whole. The diagram below intends to show the inter-relationship of our auto services:



Integrated auto services ecosystem

BUSINESS

The table below sets forth a breakdown of our revenue by service for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	1,573,106	85.7	1,635,342	85.8	1,658,936	85.5	444,848	83.7	487,702	85.8
Other integrated auto services										
Repair services ^(Note 1)	146,895	8.0	152,477	8.0	172,388	8.9	57,611	10.9	62,292	11.0
Sales of accessories	72,429	4.0	68,813	3.6	71,019	3.7	16,705	3.1	12,142	2.1
Insurance agency services	30,002	1.6	37,019	2.0	27,755	1.4	9,128	1.7	3,605	0.6
Others ^(Note 2)	12,269	0.7	11,268	0.6	10,213	0.5	3,008	0.6	2,588	0.5
Subtotal	<u>261,595</u>	<u>14.3</u>	<u>269,577</u>	<u>14.2</u>	<u>281,375</u>	<u>14.5</u>	<u>86,452</u>	<u>16.3</u>	<u>80,627</u>	<u>14.2</u>
Total	<u>1,834,701</u>	<u>100.0</u>	<u>1,904,919</u>	<u>100.0</u>	<u>1,940,311</u>	<u>100.0</u>	<u>531,300</u>	<u>100.0</u>	<u>568,329</u>	<u>100.0</u>

The below table sets forth our gross profit by service for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	16,442	13.4	33,591	23.1	60,621	34.8	13,183	29.6	32,480	59.8
Other integrated auto services										
Repair services ^(Note 1)	24,816	20.3	29,539	20.3	35,052	20.1	10,925	24.6	11,264	20.7
Sales of accessories	40,084	32.8	36,435	25.1	42,878	24.6	8,909	20.0	5,129	9.4
Insurance agency services	30,002	24.5	37,019	25.5	27,755	15.9	9,128	20.5	3,290	6.1
Others ^(Note 2)	11,021	9.0	8,838	6.0	8,072	4.6	2,349	5.3	2,149	4.0
Subtotal	<u>105,923</u>	<u>86.6</u>	<u>111,831</u>	<u>76.9</u>	<u>113,757</u>	<u>65.2</u>	<u>31,311</u>	<u>70.4</u>	<u>21,832</u>	<u>40.2</u>
Total	<u>122,365</u>	<u>100.0</u>	<u>145,422</u>	<u>100.0</u>	<u>174,378</u>	<u>100.0</u>	<u>44,494</u>	<u>100.0</u>	<u>54,312</u>	<u>100.0</u>

Notes:

1. Repair services include repair and maintenance services, sales of spare parts, car care services and used vehicle warranty services.
2. During the Track Record Period, other represented vehicle licensing registration services and registration of title transfer of used vehicles.

BUSINESS

Our sales of new vehicles are subject to seasonality. We have, during the Track Record Period, recorded higher sales volume of passenger vehicles in the second half of the year. Sales of new vehicles constituted 99.5%, 99.3%, 98.9% and 99.2% of our revenue from sales of motor vehicles respectively, for the three years ended 31 December 2018 and the four months ended 30 April 2019. For details of the average selling prices and material fluctuations in prices, volumes and product mix of new vehicles we sold during the Track Record Period, please refer to the paragraph headed “Financial Information — Description of major components of our results of operation — Revenue — Sales of motor vehicles” in this prospectus. The future price trends of vehicles of different brands are subject to their popularity, the age of the vehicle model and the pricing policy of automobile manufacturers.

Sales of motor vehicles

Sales of new vehicles

For each of the three years ended 31 December 2018 and four months ended 30 April 2019, we derived revenue of approximately RMB1,573.1 million, RMB1,635.3 million, RMB1,658.9 million and RMB487.7 million from our automobile sales, respectively, of which approximately 99.5%, 99.3%, 98.9% and 99.2% for the respective periods, was attributable to sales of new vehicles.

The following table sets forth the breakdown of the sales volume and our revenue from sales of new vehicles by brand during the Track Record Period:

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Brand	For the four months ended 30 April				
	2018		2019		
	Sales volume (unit)	ASP ^(Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)	Sale volume (unit)
Dongfeng Nissan	2,018	99	199,282	45.3	2,495
FAW Toyota	679	103	69,689	15.9	626
Beijing Hyundai	492	93	45,869	10.4	709
FAW Volkswagen	246	116	28,563	6.5	354
Dongfeng Venucia	436	87	37,899	8.6	450
Chevrolet	254	99	25,229	5.7	196
Buick	285	111	31,511	7.2	185
Domestic Brand and others (Note 1)	39	49	1,910	0.4	0
	<u>4,449</u>	<u>99</u>	<u>439,952</u>	<u>100.0</u>	<u>5,015</u>
					<u>483,663</u>
					<u>100.0</u>

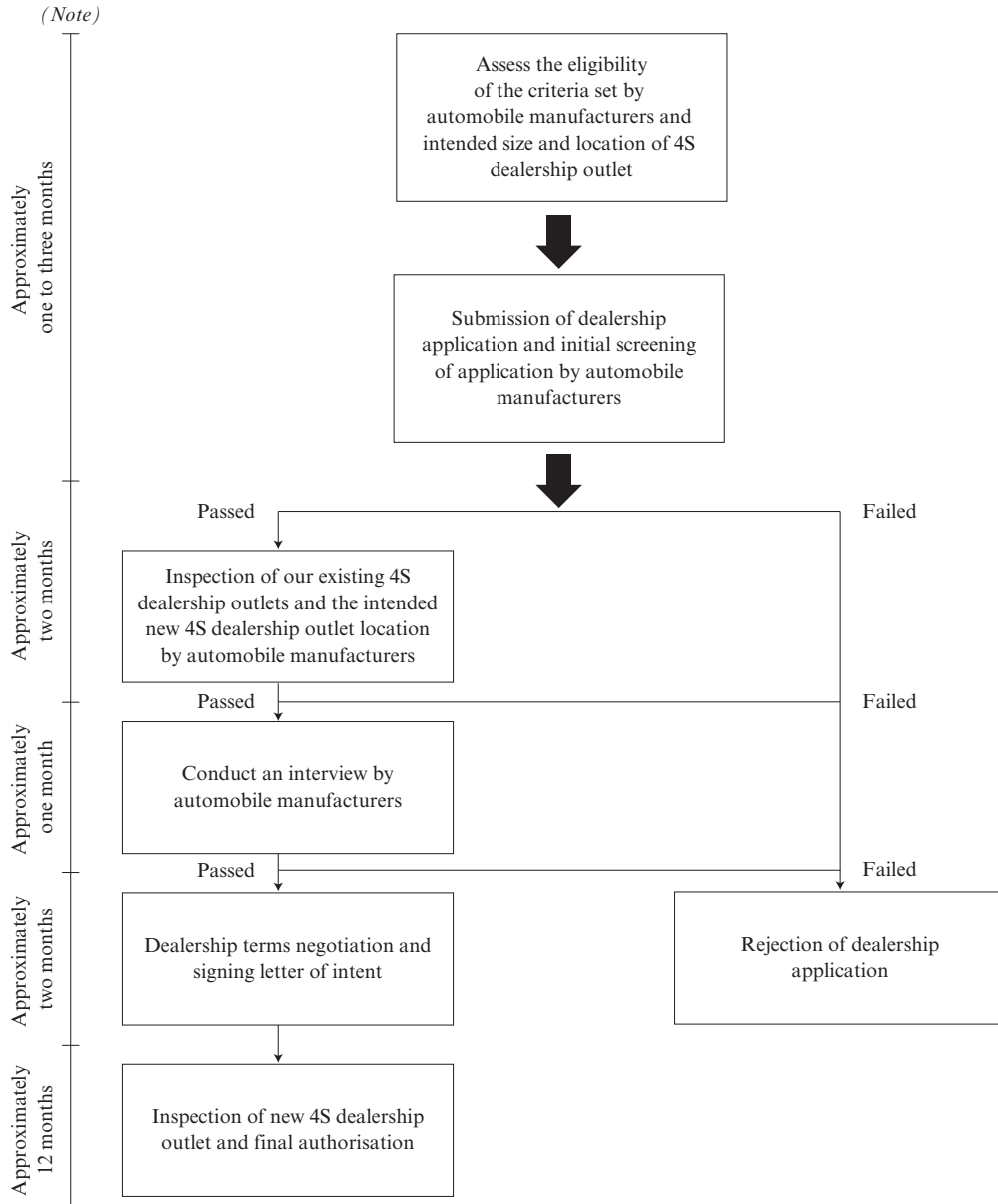
Note:

- During the Track Record Period, we operated a Domestic Brand 4S dealership outlet until the dealership was terminated in July 2017. Following the shift of our business focus to mid-to-high end sino-foreign and international brands, the Domestic Brand dealership was terminated. In addition, we sold a small number of commercial vehicles under the Domestic Brand and a sino-Japanese brand during the Track Record Period.
- The average selling price of vehicles under a particular brand is calculated on the basis of revenue attributable to vehicles under that brand divided by sale volume of vehicles under that brand.

Save for a small number of commercial vehicles, all the vehicles we sold during the Track Record Period were passenger vehicles. During the Track Record Period, we derived most of our revenue from mid-to-high end brands. Sales of new vehicles was attributable to the Dongfeng Nissan brand constituted 38.7%, 44.6%, 49.5% and 50.7% of our revenue from new vehicles sales for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Sourcing of new dealerships

The flowchart below sets forth our internal process for application of new dealerships based on information available from the websites of our automobile manufacturers:



Note: the time shown above for each step are based on the approximate time we have taken in each step during establishment of our existing 4S dealership outlets during the Track Record Period.

Assess the eligibility of the criteria set by automobile manufacturers and intended size and location 4S dealership outlet

For those automobile manufacturers which we are currently acting as their authorised dealers, we, as existing authorised dealers, will receive their notification of intention of establishment of additional dealership outlets. For those automobile manufacturers which we are not currently acting as their authorised dealers, the notice of recruitment new authorised dealers will be published on the official website of the automobile manufacturers. Our team dedicated to dealership applications consisting of, among others, our Chairman and executive Director, Mr. Law and our co-head of operation of our Group, Mr. Chen Huaquan, are responsible for assessing the market potential of brands in which we are interested and preliminarily assess the number of new 4S dealership outlets we tentatively plan to open as well as the intended size and location of the new 4S outlets. Our key selection criteria of automobile manufacturers and brands include: (i) whether a prospective brand dealership is compatible with our market positioning and business strategies; and (ii) market share and market potentials of the relevant brands. We also will review the dealer selection criteria of automobile manufacturers which are generally related to, among other things, the financial resources, working capital, industry experience, management team composition and integrity of dealership applicants. Automobile manufacturers generally make available on their official websites the dealership/new 4S dealership outlet application form, dealer selection criteria, the geographical areas which are open to dealership network expansion and the 4S dealership outlet size and layout requirements. Alternatively, automobile manufacturers may seek to expand their dealership network through existing dealers rather than recruitment of new dealers.

Submission of dealership application and initial screening of application by automobile manufacturers

We submit our dealership application through the official website of automobile manufacturers, other online channels or by mail. If we pass the initial screening, we will be notified by automobile manufacturers within approximately two months after application submission.

Inspection of our existing 4S dealership outlets and the intended 4S dealership outlet location by automobile manufacturers

Automobile manufacturers will then arrange a site inspection of our existing 4S dealership outlets and the intended 4S dealership outlet location. The automobile manufacturers classify different 4S dealership outlets by their scale such as floor area and the number of floors.

Conduct an interview by automobile manufacturers

If we pass the site inspection, the dealership network development team of automobile manufacturers will arrange an interview with members of our designated application team and our proposed store manager for the new 4S dealership outlet to gain a better understanding of, among other things, the background of a dealership/4S dealership outlet application, the intended new 4S dealership outlet location and investment payback analysis.

Dealership terms negotiation and signing letter of intent

If we pass the interview, our members of our designated application team and our proposed store manager will negotiate with the dealership network development team of automobile manufacturers on the terms of dealership and new 4S dealership outlet construction such as the 4S dealership outlet layout requirements, construction period and project team structure. We are responsible for the payment of all the construction expenses and there is no cost sharing arrangement.

A letter of intent or an agreement in relation to the construction of a 4S dealership is executed at this stage. The letter of intent or agreement may contain certain conditions to be fulfilled before execution of the unconditional dealership agreement such as establishment of the new 4S dealership outlet to automobile manufacturers' satisfaction, and completion of requisite training and assessment by the automobile manufacturer. In some cases, we proceed to execute an unconditional dealership agreement even though the new outlet has not been built.

Inspection of 4S dealership outlet by automobile manufacturers and final authorisation

The automobile manufacturers inspect the new 4S dealership outlet after completion of construction to ensure it complies with its layout requirements. We usually execute an unconditional dealership agreement after passing the site inspection.

Pricing policy

The retail prices of our new vehicles are determined with reference to our manufacturers' suggested retail prices, market demand for a particular model, the number of passenger vehicles of the same model in inventory and the presence of competing dealerships.

Arrangement with our customers

We typically enter into sale contracts with our customers in relation to the sales of new vehicles. Occasionally for popular models that are short in supply due to strong demand, the lead time could be up to three months. Lead time depends on a number of factors including our inventory level and the production capacity of our manufacturers. Our customers are generally required to pay a deposit of around RMB5,000 to RMB10,000 upon the execution of the sale contract. We typically deliver the vehicles around seven days after our receipt of payment. We also help arrange financing for our customers if necessary. In this case, we generally deliver the vehicles to our customers upon the granting of loan approval by financiers. Our bills are typically settled in cash or by bank transfer.

Customers are allowed to return defective products to us under limited circumstances. During the Track Record Period, we did not have any returns of defective vehicles from our customers.

Incentive rebates

According to the ACMR Report, incentive rebates refer to the incentives provided by the automobile manufacturers to its authorised dealers by way of cash or in kind. It is the market practice that the automobiles manufacturers would formulate their own incentive scheme from time to time, taking into consideration factors including but not limited to their respective sales plan, business strategies, performance targets, and market condition during the relevant time. It is one of the means utilised by the automobile manufacturers in increasing its market shares by way of incentivising their authorised dealers.

In line with the common practice in the automobile industry, we, as authorised automobile dealers are entitled to participate in the incentive schemes of our automobile manufacturers. Incentive schemes are part of our automobile manufacturers' sales and marketing strategies and quality control measures. They seek to promote their new products, reduce excess inventory, expand their distribution network and boost end consumers' brand loyalty through incentive schemes.

Automobile manufacturers offered incentive schemes with different structure and the amount of incentive rebates vary amongst different automobile manufacturers.

Generally, our automobile manufacturers would provide us with incentive scheme on a monthly, bi-monthly, quarterly or annual basis, to revise the existing rebate policies or introduce new incentive policies. Upon commencement of each period, the automobile manufacturers will set specific targets with reference to which the rebates will be calculated on a per dealership basis. The specific targets set by the automobile manufacturers vary from time to time. Our incentive rebates are typically determined by the following parameters: (i) the purchase volume of passenger vehicles; (ii) the sales volume of passenger vehicles; and (iii) by assessment by the automobile manufacturers on our performance. With respect of the volume-based targets, our automobile manufacturers would determine the amount of the relevant incentive rebates we are entitled to based on the sales and procurement records in their designated information technology systems.

(i) Purchase volume of passenger vehicles

During the Track Record Period, our automobile manufacturers offered incentive rebates based on our purchase volume of passenger vehicles for purposes such as encouraging the reduction of inventory of a specific vehicle model. Common examples include (i) fixed sum rebate based on specific vehicle model/specification; (ii) fixed percentage rebate based on recommended retail price set by the automobile manufacturers for each passenger vehicle purchased from the automobile manufacturers; (iii) rebate based on different fulfilment level (starting from 60%) of bi-monthly or quarterly inventory purchase volume target with different weight on specific vehicle models; and (iv) seasonal rebate based on purchase of specific vehicle models. The automobile manufacturers may also impose conditions precedents before we are eligible to receive the rebates such as fulfillment of sales volume targets of specific vehicle models. For the incentive rebate granted in tiers based on our dealerships' fulfilment level of purchase volume targets, our 4S dealership outlets would be entitled to the relevant rebates when our purchase volume reaches the lowest tier required and would be entitled to the highest rate of rebate if our purchase volume reaches the top tier, generally ranging from 90% to 110% depending on the automobile manufacturers' incentive policy for the relevant period.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, where the automobile manufacturers provided us specific purchase volume incentive rebate and based on the procurement record in the relevant automobile manufacturers' designated information technology systems, and save as FAW Toyota, which did not set purchase volume targets for our outlet during the Track Record Period, and Dongfeng Venucia which did not assess the purchase volume targets for our Dongfeng Venucia Mingcheng Store for the year ended 31 December 2016 as it commenced operation in October 2016, we had one, four, three and two 4S dealership outlets, respectively, whose total purchase volume was lower than 100% of the aggregated purchase volume target during the respective year/period, and the amount of rebate granted by the relevant automobile manufacturers to us was affected in the corresponding period.

BUSINESS

The following table sets forth the purchase volume target fulfillment ratios of each of our dealership outlet during the Track Record Period:

Purchase volume target fulfillment ratios *(Note 1)*

4S dealership outlet	For the year ended 31 December			For the four months ended 30 April 2019
	2016	2017	2018	(Note 2)
	%	%	%	%
Dongfeng Nissan Dongri Store (創世紀東風日產西區東日店)	108.0	111.5	112.0	116.9
Dongfeng Nissan Jucheng Store (創世紀東風日產小欖菊城店)	106.3	118.3	110.9	115.7
Dongfeng Nissan Chuangcheng Store (創世紀東風日產民眾創誠店)	107.9	118.5	113.0	116.0
Dongfeng Nissan Chuangri Store (創世紀東風日產南區創日店)	107.1	116.1	113.3	117.0
Dongfeng Nissan Mingcheng Store (創世紀東風日產東區名城店)	108.1	116.9	112.1	110.4
Beijing Hyundai Chuangxian Store (創世紀北京現代西區創現店)	108.5	100.0	100.0	100.0
Beijing Hyundai Chengnan Store (創世紀北京現代南區城南店)	107.7	100.0	100.0	100.0
Toyota Western District Store (創世紀一汽豐田西區店) <i>(Note 3)</i>	N/A	N/A	N/A	N/A
Volkswagen Western District Store (創世紀一汽大眾西區店)	80.8	90.6	97.9	90.4
Dongfeng Venucia Dongyue Store (創世紀東風啟辰西區東月店)	112.0	96.9	94.2	87.5
Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店) <i>(Note 4)</i>	N/A	87.4	93.1	108.2
Buick Chuangtong Store (創世紀別克南區創通店)	107.4	80.2	101.8	100.0
Chevrolet Chuangzhi Store (創世紀雪佛蘭西區創志店)	100.0	100.0	100.0	100.0

Notes:

- (1) The purchase volume target fulfilment ratio is calculated by dividing (i) purchase volume of each of our Group's dealership based on the information as shown in the information technology systems provided by our automobile manufacturers or the correspondence with the automobile manufacturers in the respective period, by (ii) the total of the monthly, bi-monthly, quarterly, or annual (as the cases may be) specific purchase volume targets provided by the relevant automobile manufacturers pursuant to their incentive scheme in the respective year.

- (2) As the specific purchase volume targets of Volkswagen Western District Store (創世紀一汽大眾西區店) (4S dealership outlet of FAW Volkswagen brand), Buick Chuangtong Store (創世紀別克南區創通店) (4S dealership outlet of Buick brand) and Chevrolet Chuangzhi Store (創世紀雪佛蘭西區創志店) (4S dealership outlet of Chevrolet brand) are quarterly targets, the tables above only set out the information from January to March 2019 in relation to these three outlets.
- (3) As FAW Toyota did not set any purchase target volume for the three years ended 31 December 2018 and the four months ended 30 April 2019 for Toyota Western District Store (創世紀一汽豐田西區店), the purchase volume fulfilment ratio is not applicable for Toyota Western District Store (創世紀一汽豐田西區店) for the relevant periods.
- (4) Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店) commenced operation in October 2016 and the automobile manufacturer offered grace period for purchase volume target for the first year after commencement of operation and thus purchase volume target for the year ended 31 December 2016 was not assessed on the 100% fulfilment basis.

(ii) Sales volume of passenger vehicles

During the Track Record Period, our automobile manufacturers offered incentive rebates based on our sales volume of passenger vehicles for purposes such as promoting the automobile manufacturer's model rollout strategy or reacting to market conditions. Common examples include (i) fixed sum rebate for each passenger vehicle sold; (ii) fixed percentage rebate based on different fulfilment level (starting from 70%) of bi-monthly or quarterly sales volume target with different weight on specific vehicle models; and (iii) seasonal rebate based on sales of specific vehicle models. The automobile manufacturers may also impose conditions precedents before we are eligible to receive the rebates such as fulfillment of purchase volume targets of specific vehicle models. For the incentive rebate granted in tiers based on our dealerships' fulfilment level of sales volume targets, our 4S dealership outlets would be entitled to the relevant rebate when our sales volume reached the lowest tier required and would be entitled to the highest rate of rebate if our sales volume reached the top tier, generally ranging from 90% to 110% depending on the automobile manufacturers' incentive policy at the relevant period.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, where the automobile manufacturers provided us specific sales volume incentive rebate and based on the sales record in the relevant automobile manufacturers' designated information technology systems, save as Dongfeng Venucia which did not assess the sales volume targets for rebate purposes for both our Dongfeng Venucia Dongyue Store and Dongfeng Venucia Mingcheng Store during the Track Record Period, we had three, nil, nil and nil 4S dealership outlets, respectively, whose total sales volume was lower than 100% of the aggregated sales volume target during the respective year/period, and the amount of rebate granted by the relevant automobile manufacturers to us was affected in the corresponding period.

BUSINESS

The following table sets forth the sales volume target fulfillment ratios of each of our dealership outlet during the Track Record Period:

Sales volume target fulfillment ratios *(Note 1)*

4S dealership outlet	For the year ended 31 December			For the four months ended 30 April 2019
	2016	2017	2018	(Note 2)
	%	%	%	%
Dongfeng Nissan Dongri Store (創世紀東風日產西區東日店)	103.7	108.0	100.1	110.5
Dongfeng Nissan Jucheng Store (創世紀東風日產小欖菊城店)	85.8	109.5	107.2	110.9
Dongfeng Nissan Chuangcheng Store (創世紀東風日產民眾創誠店)	123.5	117.9	101.7	107.1
Dongfeng Nissan Chuangri Store (創世紀東風日產南區創日店)	88.8	107.9	107.3	110.3
Dongfeng Nissan Mingcheng Store (創世紀東風日產東區名城店)	105.1	127.8	111.1	105.0
Beijing Hyundai Chuangxian Store (創世紀北京現代西區創現店)	100.0	101.7	101.7	100.0
Beijing Hyundai Chengnan Store (創世紀北京現代南區城南店)	100.4	100.4	103.3	100.0
Toyota Western District Store (創世紀一汽豐田西區店)	100.2	101.4	102.7	101.0
Volkswagen Western District Store (創世紀一汽大眾西區店)	85.3	108.7	107.4	108.9
Dongfeng Venucia Dongyue Store (創世紀東風啟辰西區東月店) <i>(Note 3)</i>	N/A	N/A	N/A	N/A
Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店) <i>(Note 3)</i>	N/A	N/A	N/A	N/A
Buick Chuangtong Store (創世紀別克南區創通店)	110.5	100.4	102.7	105.0
Chevrolet Chuangzhi Store (創世紀雪佛蘭西區創志店)	100.0	100.0	100.0	110.0

Notes:

- (1) The sales volume target fulfillment ratio is calculated by dividing (i) sales volume of each of our Group's dealership based on the information as shown in the information technology systems provided by our automobile manufacturers or the correspondence with the automobile manufacturers in the respective period, by (ii) the total of the monthly, bi-monthly, quarterly, or annual (as the cases may be) specific sales volume targets provided by the relevant automobile manufacturers pursuant to their incentive scheme in the respective year.

- (2) As the specific sales volume targets of Volkswagen Western District Store (創世紀一汽大眾西區店) (4S dealership outlet of FAW Volkswagen brand), Buick Chuangtong Store (創世紀別克南區創通店) (4S dealership outlet of Buick brand) and Chevrolet Chuangzhi Store (創世紀雪佛蘭西區創志店) (4S dealership outlet of Chevrolet brand) are quarterly targets, the tables above only set out the information from January to March 2019 in relation to these three outlets.
- (3) No sales volume target is included in the above table for our Dongfeng Venucia Dongyue Store (創世紀東風啟辰西區東月店) and Dongfeng Venucia Mingcheng Store (創世紀東風啟辰東區名城店) as our automobile manufacturer did not assess the fulfilment of sales volume target for the two years ended 31 December 2016 and 31 December 2017 and for the four months ended 30 April 2019, while for the year ended 31 December 2018, certain target in terms of sales volume was provided by our automobile manufacturer to serve as a condition precedent of additional incentive rebate with respect to our Group's purchase.

(iii) Assessment by the automobile manufacturers

During the Track Record Period, our automobile manufacturers may also offer incentive rebates based on metrics measuring dealership quality. There are a wide range of quality metrics and different manufacturers may emphasise different metrics. Some examples of such quality metrics include our performance in manufacturer audits of customer care and service processes, our scores in manufacturer-conducted "mystery shopper" programs, which involves evaluations of dealership performance through visits by unidentified and unannounced evaluators, and our scores in customer satisfaction surveys.

Based on the parameters set out in the rebate policies set out above, our store managers for each brand and our respective marketing team shall formulate sales plans and purchase plans of passenger vehicles for each brand, after taking into account (i) the information of sales volume, purchase volume and sales order information of our Group during the same period in the previous year and that during the last quarter; (ii) our current inventory level and its composition; (iii) the estimated rebate based on the rebate calculator provided by certain automobile manufacturers. Our co-head of operations will then approve the sales plans and purchase plans.

Our store managers will then base on the formulated sales plan and purchase plans to (i) apply for funds for purchase of passenger vehicles weekly; (ii) deliver the sales plan to our sales person and to monitor the sales progress weekly through weekly sales meeting. Our marketing department will also revise the marketing strategies based on the sales performance in order to gain a higher amount of incentive rebate to lower our cost of sales.

Our incentive rebates are typically in the form of discount for subsequent new passenger vehicle purchases and discount for subsequent spare parts or accessories purchases. They are recognised as reduction in cost of sales in our accounts. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our incentive rebates amounted to approximately RMB187.6 million, RMB239.3 million, RMB340.5 million and RMB139.4 million, respectively, representing approximately 11.9%, 14.6%, 20.5% and 28.6% of our revenue from sales of motor vehicles, respectively.

According to the ACMR Report, it is the industry norm that an automobile manufacturer would apply an identical incentive policy, including the respective rebate rate for the different metrics, to its authorised dealers across the country or the relevant region, therefore the rate of our Group's incentive rebates in terms of total sales is largely comparable to that of its industry peers who are the authorised dealers for the relevant automobile manufacturers. In addition, as advised by ACMR, it is not uncommon for the authorised dealers to receive significant amount of incentive rebates during the time when the automobile manufacturers aim to boost their sales, increase their

market share, and/or when market condition is unfavourable. Since it is a market practice for the automobile manufacturers to determine their own rebate policies and practices, the level of reliance of an authorised dealer on incentive rebates is directly related to its brand portfolio during the relevant time. Accordingly, as advised by ACMR, it is not uncommon for authorised automobile dealers with brand portfolio and performance similar to our Group to rely significantly on incentive rebates from automobile manufacturers during relevant period.

Sales to 4S dealerships

During the Track Record Period, our Group has sold vehicles to other 4S dealerships to provide flexibility in operations. We occasionally sold vehicles to other 4S dealerships when they requested. This allowed dealerships to meet the specific orders of a customer more quickly and provide dealerships with more flexibility in managing their inventory and results in better customer satisfaction. Such inventory transfers were facilitated by the systems or reporting procedures of the automobile manufacturers. As advised by ACMR, sales to sub-dealers are common in the automobile industry. As advised by our PRC Legal Advisers, according to the Measures for Administration of Automobile Sales, the suppliers shall not restrict the mutual resale of automobile-related products between their dealers, as such inventory transfers are known to the automobile manufacturers through our Group's communication with the relevant automobile manufacturers or the inventory transfers were facilitated by the systems of the automobile manufacturers, such activities do not constitute a breach of the relevant dealership agreements. During the Track Record Period, the revenue derived from sales to other 4S dealerships was less than 5% of our revenue. Our Directors consider this to be immaterial to our business operation.

Sales of used vehicles

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue attributable to sales of used vehicles amounted to approximately RMB8.3 million, RMB11.9 million, RMB17.5 million and RMB4.0 million, respectively, representing approximately 0.5%, 0.7%, 1.1% and 0.8% of our revenue attributable to sales of motor vehicles, respectively.

The retail price of a used vehicle is preliminarily determined by our staff who possess used vehicle appraiser qualifications issued by the Ministry of Human Resources and Social Security of the PRC and is with reference to our valuation of the used vehicle which in turn is influenced by the vehicle model, the age, mileage and condition of the vehicle, the historical prices of vehicles under the same model as shown in external online databases and the market wholesale prices of the new vehicles under the same model supplied by at least three third-party used vehicle wholesalers.

Other integrated auto services

Our other integrated auto services include repair services, insurance agency services and the sales of accessories, among other services, the details of which are set out below:

Repair Services

Our repair services include repair and maintenance services, the sales of spare parts, car care services, used vehicle warranty services. We offer complex repair services and standard maintenance and car care services at our 4S dealership outlets, and quick fix services and standard maintenance and car care services at our quick fix auto centre and quick fix service points.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, we derived revenue of approximately RMB146.9 million, RMB152.5 million, RMB172.4 million and RMB62.3 million from our repair services, representing approximately 8.0%, 8.0%, 8.9% and 11.0% of our revenue, respectively. For the same period, gross profit from our repair services amounted to approximately RMB24.8 million, RMB29.5 million, RMB35.1 million and RMB11.3 million, respectively, and gross profit margin was approximately 16.9%, 19.4%, 20.3% and 18.1%, respectively.

Repair services offered at our 4S dealership outlets

We typically offer complex repair services and standard maintenance and car care services to owners of vehicles under the brands covered by our authorised dealerships at our 4S dealership outlets. Our repair and maintenance services represent in-warranty repair and out-of-warranty repair services and cover a wide range of services from simple motor oil changes to complex engine replacements. Car care services on the other hand, include car washing, waxing, engine cleaning, compartment cleaning and leather seat cover cleaning.

Under the 3R Provisions, we as seller, are responsible for guaranteeing the repair, replacement and return of household automotive products within the valid period of the Three Warranties. The period of Three Warranties is two years or until a vehicle has accumulated mileage of 50,000 km, whichever is earlier. It commences from the date of the tax invoice with respect to the purchase of a vehicle.

We also offer in-warranty repair which covers certain types of repairs in relation to defects in parts or workmanship or from normal wear and tear. The in-warranty period for new vehicles is typically three years or until a new vehicle has accumulated mileage of 100,000 km, whichever is earlier. However, the in-warranty period for certain car parts may vary depending on the brand, the car model and the type of car parts. Also, the in-warranty period of certain vehicle models is up to five years. The in-warranty period commences from the date of the tax invoice with respect to the purchase of a vehicle.

Provided that damages to car parts are caused by defects in parts or workmanship or by normal wear and tear and subject to the policy set by each automobile manufacturer, a customer is usually entitled to free repair services within the warranty periods as mentioned above.

After the expiry of the Three Warranties period or the in-warranty period, a customer may opt for out-of-warranty repair services for a fee. The original warranty period can then typically be extended for up to two years.

We provide all three types of warranties in collaboration with our automobile manufacturers. The warranty terms are predetermined by our automobile manufacturers. We are entitled to some reimbursement from our automobile manufacturers. For the three years ended 31 December 2018 and the four months ended 30 April 2019, the amount reimbursed by our automobile manufacturers after provision of warranty services was approximately RMB20.3 million, RMB22.2 million, RMB25.3 million and RMB8.0 million, respectively. Generally speaking, we are legally entitled to reimbursement of our costs associated with Three Warranties repairs from our automobile manufacturers if: (i) the relevant defects in the products/vehicles are covered by the Three Warranties; (ii) the relevant defects occurred within the Three Warranties validity period and; (iii) the relevant defects are attributable to our automobile manufacturers. We have historically received

reimbursement of such costs from our automobile manufacturers, as such, according to our accounting policy, no provision had been made and will be made in relation to our reimbursement claims under the Three Warranties during the Track Record Period and in the future.

Our repair technical personnel undergo regular training programs that we designed based on their job functions and the specific needs of our business, as well as training programs offered by the automobile manufacturers.

Sales of spare parts and accessories usually is integral to our repair and maintenance services. However, we also sell spare parts and accessories to our customers on a standalone basis.

The pricing of our repair and maintenance services is generally determined with reference to the cost of spare parts and accessories used, if any, and the hourly rates of our technicians. Our automobile manufacturers provide us with recommended retail prices of spare parts and accessories and recommended hourly rates of technicians. They are for our reference only and we are free to adjust our fees with reference to market conditions and demand for our after-sale services when and where applicable.

Car care services are not covered by our warranties. The fees of our car care services are determined primarily with reference to labour cost. We work in collaboration with other car care service providers in this regard.

Repair services offered at our quick fix auto centre and quick fix service points

We offer quick fix services and standard maintenance and car care services to all types of customers at our quick fix auto centre and five quick fix service points annexed to our 4S dealership outlets. The quick fix services we offer are typically simpler and our turn around time is typically up to two hours. However, the fully equipped repair and maintenance service centres located at our 4S dealership outlets can support more complex repair work.

The pricing of our quick fix services is generally determined with reference to the cost of spare parts and accessories used, if any, and the hourly rates of our technicians.

Motor vehicle recalls

Our 4S dealership outlets assist automobile manufacturers in handling recalls by distributing information to vehicle owners and making remedial repairs. Recall procedures vary among automobile manufacturers. Prior to issuing a public recall, our automobile manufacturers will generally notify their authorised dealers and provide instructions on how to remedy the problem and respond to inquiries from vehicle owners. Upon receiving the notice, we typically contact our customers who may be affected and ask them to bring their vehicles into our stores for necessary repairs in accordance with the relevant automobile manufacturers' instructions. We also make remedial repairs to recalled vehicles still in our inventory, if any, prior to their sales. Automobile manufacturers generally reimburse us for our costs relating to product recalls, primarily the repair services that we provided. As advised by our PRC Legal Advisers, we are not liable under PRC laws and regulations for the cost for elimination of defects and necessary expenses for transporting defective auto products. Please refer to the section headed "Risk Factors — Risks Relating to our Business — Product defects and motor vehicle recalls could have a negative impact on our operation of business financial condition and growth prospects" and "Regulatory Overview — Motor Vehicle Recalls" in this prospectus for more information.

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The table below sets forth all recalls that our automobile manufacturers has announced and informed us to handle during the Track Record Period:

Brand	Model	Affected Components	Recall Notice/ Announcement Date <i>(Note 1)</i>
Dongfeng Nissan	X-Trail 2014	Rear door gas strut	11 April 2016 [△]
	X-Trail 2014/2015	Oil tank mouth	16 December 2016 [△]
	New Murano 2015/2016	ABS controller	16 December 2016 [△]
	New Murano 2013	Steering high pressure fuel pipe	22 March 2017 [△]
	New Teana 2016	Brake lamp switch	28 July 2017 [△]
	New Qashqai 2015	Safety airbag	8 December 2017 [△]
	Sentra, New Sentra, New LANNIA, TIIDA, New TIIDA	Fuel control unit	8 February 2018 [△]
	Teana, LANNIA, Sunny	Safety airbag	16 April 2018 [△]
	New Sentra, New TIIDA, NEW LANNIA, New Sunny, Sentra, Livina	Car key	27 September 2018 [△]
FAW Toyota	RAV4	Rear seat structure	18 February 2016
	Crown 4.3L Royal Saloon VIP	Audio amplifier	18 April 2016
	Prius	(1) Safety airbag; and (2) Fuel tank oil pick up flange	29 July 2016
	COROLLA, VIOS, COROLLA	Safety airbag	28 October 2016
	RAV4 2.5L	Engine	2 December 2016
	COROLLA	Engine hatch	14 February 2017
	Coaster	Fuel filter	14 February 2017
	VIOS	Engine room hatch lock	14 February 2017
	COROLLA, VIOS, COROLLA EX	Safety airbag	31 March 2017
	COROLLA HYBRID	Safety airbag sensor	2 February 2018 (initial recall) and 18 May 2018 (expanded recall)
	COROLLA, VIOS, COROLLA EX	Safety airbag	28 March 2018
	VIOS, VIOS FS, COROLLA, COROLLA HV	Car window glass	17 July 2018
	COROLLA	Headlamp	7 December 2018
	VIOS	Safety airbag	20 December 2018
	IZOA	Transmission	21 December 2018
	COROLLA, COROLLA EX	Safety airbag	29 January 2019

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Brand	Model	Affected Components	Recall Notice/ Announcement Date <i>(Note 1)</i>
Beijing Hyundai	New Tuscon 1.6T	TCU programme of the dual clutch transmission	30 September 2016 [△]
	New Tuscon 1.6T DCT	Rear towing arm	3 January 2017
	New SantaFe	Engine	23 June 2017
	New Tuscon	Control harness	29 January 2018 [△]
	New Tuscon	Engine	26 October 2018
FAW Volkswagen	Sagitar A5, Golf A6	Auto lamp	17 May 2017 [△]
	CC, MAGOTAN B6, MAGOTAN B7L	Fuel control unit	4 September 2017 [△]
	BORA	Safety airbag	14 September 2017 [△]
	SAGITAR	Rear suspension system	22 December 2017 [△]
	NEW BORA, C-TREK	Dashboard wiring harness	28 February 2018 [△]
	MAGOTAN	Sunroof light	29 December 2018 [△]
Dongfeng Venucia	Venucia M50V	Handbrake	9 May 2017
	New Venucia R50, New Venucia R50X, New Venucia T70	Car key	6 September 2018
Buick	Excelle GT/XT, Encore	Crankcase ventilation regulating valve	13 May 2016
	Envision	Brake pipe	30 November 2016 [△]
	New Excelle	Clutch master cylinder	14 February 2017 [△]
	Excelle GT/XT, Encore	Safety airbag	15 September 2017
	Envision, Verano Hatchback, New Excelle, New Generation LaCrosse, VELITES, New Regal	Suspension system	28 September 2018
Chevrolet	Trax, AVEO	Audio auto reminder system	19 May 2016
	Cruze, EPICA, AVEO	Crankcase ventilation regulating valve	13 May 2016
	Cavalier, LOVA RV	Clutch master cylinder	1 March 2017
	New Sail EMT	Transmission harness	4 August 2017
	Cruze, AVEO, Trax	Safety airbag	15 September 2017
	Cruze	Electronic system	25 December 2017
	Cruze, Cruze Hatchback, Malibu XL, Equinox Cavalier	Suspension system	28 September 2018

Note:

1. If the notice we received from the automobile manufacturer regarding the recall is dated, the date in this column is notice date. If the relevant notice is not dated, the date in this column is the date of the announcement regarding the recall published by the automobile manufacturer.
2. “△” means the relevant date is the date of announcement regarding the recall published by the automobile manufacturer.

Used vehicle warranty services

In May 2017, we commenced our used vehicle warranty services to complement our sales of used vehicles and other integrated auto services.

Our customers subscribe for our used vehicle warranty services which according to our policy, will be provided within a warranty period ranging from six months to two years. The pricing of our used vehicle warranty services are generally determined with reference to the cost of spare parts and labour cost, as well as the brand, the vehicle model, the type of repair services covered and the duration of the warranty period.

Competitive advantages of our repair services

Irrespective of the relatively small revenue contribution of our repair services, gross profit from our repair services constituted over 20% of our gross profit during the Track Record Period. We believe this was mainly attributable to the following factors:

1. Our ability to deliver high quality services — We benefit from our long-term relationship with our automobile manufacturers. Our technical support and customer service personnel have already received many years of training from our automobile manufacturers and possess the necessary skills and knowledge. We consider this to be advantageous, as repairing a motor vehicle can be technically challenging and we believe most customers would prefer to go to a reliable repair shop operated by an authorised dealer for complex repair work. Our high quality services are also recognised by the automobile manufacturers by granting awards such as the 2017 PRC Automobile Service Golden Spanner Award (2017中國汽車服務金扳手獎) awarded by Dongfeng Nissan to Dongri Automobile;
2. Our ability to deliver accessible services in a timely manner — In addition to fully equipped repair and maintenance centres which mainly serve owners of vehicles covered by our authorised dealerships, we have a quick fix auto centre and five quick fix service points annexed to our 4S dealership outlets in Zhongshan which are open to all types of customers and offer 24-hour emergency repair services. We have rapid turnaround of our quick fix service orders and typically have motor vehicles serviced and delivered to our customers within two hours subject to the scale and complexity of the repair and maintenance services involved; and
3. Our ability to source quality spare parts and accessories — We source most of our spare parts and accessories from our automobile manufacturers and their approved suppliers to maintain the quality of spare parts and accessories. At the same time, we have the flexibility to source from other suppliers to keep our cost under control.

Sales of accessories

From time to time, we offer to sell new vehicles with complimentary accessories such as global positioning system (GPS) tracking devices, seat covers, automotive window films and air-fresheners in packages as part of our marketing and promotion efforts. The retail prices of accessories are determined in a similar manner as the retail prices of new vehicles.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, gross profit from our sales of accessories was approximately RMB40.1 million, RMB36.4 million, RMB42.9 million and RMB5.1 million, respectively, representing 32.8%, 25.1%, 24.6% and 9.4% of our gross profit respectively, irrespective of its revenue contribution was approximately 4.0%, 3.6%, 3.7% and 2.1% for the same periods.

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Insurance Agency Services

During the Track Record Period, we act as concurrent business insurance agents for insurance companies in the PRC for promoting and handling motor vehicle insurance, including but not limited to compulsory third-party liability vehicle insurance and commercial vehicle insurance. We also provide insurance agency services for insurance companies in the PRC in relation to other non-motor vehicle insurance products including personal insurance and property insurance products.

We work with leading insurance companies in the PRC to promote and distribute motor vehicle insurance products by insurance companies primarily through our insurance agency office and our 4S dealership network, and receive commissions from the relevant insurance companies. We act as an insurance agent under our insurance agency agreements with our insurance companies. In this context, we typically assist customers in purchasing insurance products and collect insurance premiums for the insurance companies. Our commissions are generally based on the insurance premiums of the policies that insurance companies sell through us. The commission rate varies depending on the type of insurance products. The commission rate for the various types of insurance products charged by our Group and the market rate during the Track Record Period are as follows:

	Range of commission rate of insurance products		
	Based on the agreements entered into by our Group with the insurance companies	Monthly average commission rate⁽¹⁾ charged by our Group	Average market commission rate⁽²⁾
Compulsory third-party liability insurance for motor vehicles	4%	4%	4%
Commercial vehicle insurance	0%–70%	20.3% to 36.7%	8%–25%
Non-motor vehicle property insurance	0%–70%	33.7% to 42.6%	15%–25%
Personal insurance	0%–75%	70%	Usually determined case by case

Note 1: The monthly average commission rate is calculated by dividing the monthly revenue generated from insurance agency services of relevant insurance products by the total sum insured of the respective insurance products of each month during the Track Record Period.

Note 2: The data was extracted from ACMR Report.

As compared to the average market rate of insurance agency services for the respective insurance products during the Track Record Period, in relation to (i) the compulsory third-party liability insurance for motor vehicles, the monthly average commission rate charged by our Group was in line with the average market rate; (ii) the commercial vehicle insurance, the low end of the monthly average commission rate was in line with the average market rate, while the high end of the monthly average commission rate charged by our Group was higher than the average market rate, which was mainly due to the higher commission rates offered by insurance companies to our Group; (iii) the non-motor vehicle property insurance, the monthly average commission rate charged by our

Group was higher than the average market rate, which was mainly due to the commission rate may vary among various insurance products; and (iv) the personal insurance, our Group usually charged the commission rate on a case-by-case, which is in line with the market practice.

As advised by our PRC Legal Advisers, during the Track Record Period, our 4S dealership stores providing insurance agency services have obtained valid licences for concurrent business insurance agency and insurance agency. As we intend to provide our insurance agency services through Chuangcheng Insurance which is the holder of the operating insurance agency license, as at the Latest Practicable Date, our Group did not renew the licence for concurrent business insurance agency.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, we derived gross profit of approximately RMB30.0 million, RMB37.0 million, RMB27.8 million and RMB3.3 million from our insurance agency services, representing approximately 24.5%, 25.5%, 15.9% and 6.1% of our gross profit, respectively irrespective of its revenue contribution was approximately 1.6%, 2.0%, 1.4% and 0.6% for the same periods.

In June 2018, the China Banking and Insurance Regulatory Commission issued the Notice in relation to the regulations on commercial vehicle insurance premium (中國銀保監會辦公廳關於商業車險費率監管有關要求的通知), pursuant to which each insurance company shall report to the China Banking and Insurance Regulatory Commission the range and regulations on charging commission and handling charges, which include all handling charges, service fees, promotion fees, remuneration, incentive payments, bonus payments and commission, and shall not have any improper competition amongst different insurance companies. In June 2018, several leading insurance companies in the PRC suggested to impose a limit on the commission rate on motor vehicle insurance, which states the commission rate of insurance for used vehicles shall not exceed 20% and commission rate of insurance for new vehicles shall not exceed 25%. After the issuance of the abovementioned notice in mid 2018, the average market commission rate of commercial vehicle insurance products was decreased significantly for the second half of 2018, led to an average market commission rate of approximately 20% to 25% for 2018. According to the ACMR Report, the average commission rate of 2019 is expected to be approximately 18% to 23%, slightly lower than that of 2018. The monthly average commission rate has rebounded at the beginning of 2019. For the four months ended 30 April 2019, the monthly average commission rate of commercial vehicle insurance products was ranged from approximately 21.6% to 25.4%, which is slightly higher than the monthly average commission rate for the second half of 2018, of approximately 20.3% to 22.1%. Based on the latest communication and correspondences with insurance companies up to the Latest Practicable Date, our Directors believe that the average commission rate for the second half of 2019 charged by our Group would remain relatively stable as compared to the average commission rate charged by our Group for the year of 2018, of approximately 23.1% (i.e. calculated by dividing the total revenue generated from commercial vehicle insurance for the year ended 31 December 2018 by the total sum insured of commercial vehicle insurance for the year ended 31 December 2018). Hence, our Directors believe that the new regulation on the commission rate of commercial vehicle insurance premium would not have material adverse impact on our Group's business operation for the year ending 31 December 2019.

Other Services

During the Track Record Period, our other services represented vehicle licensing registration services and registration of title transfer of used vehicles. We opened a used vehicle trading centre which we commenced operation in October 2018 to further develop our used vehicle operation in view of market potentials and to enhance our integrated auto services ecosystem.

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Our used vehicle trading centre provides used vehicle management services which currently mainly consist of registration of title transfer of used vehicles.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, gross profit of our other services amounted to approximately RMB11.0 million, RMB8.8 million, RMB8.1 million and RMB2.1 million, respectively, representing 9.0%, 6.0%, 4.6% and 4.0% of our gross profit, respectively irrespective of its revenue contribution was approximately 0.7%, 0.6%, 0.5% and 0.5%, respectively for the same periods.

We have been cooperating with an online used vehicle trading platforms and an online integrated service provider to build recognition of our used vehicle services and to secure the sourcing of customers. In 2018, we entered into two referral and marketing agreements which primarily involve the promotion of our used vehicle models on the online trading platforms of our business partners and the referral of interested used vehicle customers by our business partners to our Group. The marketing and referral fee consists of an annual membership fee and a service fee prepayment in the form of points redeemable within the validity period set out in an agreement. We are entitled to a prepaid package of services until all the points have been redeemed. The redeemable points can be replenished by topping up our service fee prepayment during the validity period. As at the Latest Practicable Date, our cooperation with the online used vehicle trading platforms was terminated and we entered into another referral and marketing agreement with the online integrated service provider which will expire in June 2021.

During the Track Record Period, we provide used vehicle services through our 13 4S dealership outlets and our used vehicle trading centre. We plan to open three used vehicle marketplace by 2020. Such marketplace would provide dedicated, one-stop used vehicle services which include a physical trading platform for used vehicle auction and valuation services.

AWARDS AND ACHIEVEMENTS

We have received numerous awards and recognition from manufacturers and industry trade association. The table below sets forth our notable awards received:

Award	Award holder	Granting Entity	Year
Top 100 Guangdong Automobile Dealers (top 20 finalists)* (廣東省汽車流通行業百強企業評選汽車經銷商集團二十強)	Zhongshan New Century	Guangdong Automobile Dealers Association* (廣東省汽車流通協會) ^(Note 1)	2017
2018 Nissan Global Award in recognition of outstanding performance in 2017 (2018年 Nissan Global Award 大獎) ^(Note 2)	Jucheng Automobile	Nissan Motor Corporation	2017
Five-star After-sales Service Team in Mid Zhujiang District* (2018年中珠江區五星榮譽最佳售後營銷團隊)	Dongri Automobile, Jucheng Automobile	Dongfeng Nissan	2018
Outstanding New 4S Dealership Outlet Award* (新建優秀專營店) ^(Note 3)	Mingcheng Automobile	Dongfeng Nissan Sales Headquarters* (東風日產營銷總部)	2017

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Award	Award holder	Granting Entity	Year
RMB10 million Club* (千單俱樂部)	Chuangxian Automobile	Beijing Hyundai	2017
2017 Five-star After-sales Service 4S Store* (2017年售後服務五星專營店)	Dongri Automobile	Dongfeng Nissan	2017
2017 PRC Automobile Service Golden Spanner Award* (2017中國汽車服務金扳手獎)	Dongri Automobile	Dongfeng Nissan	2017
The Sixth Zhongshan West Automobile Consumption Festival Branded Enterprise Award* (第六屆中山(西區)汽車消費節品牌企業獎)	Dongfeng Nissan Dongri Store, Zhongshan New Century* (Volkswagen Western District Store)	Host: Zhongshan Government West District Office* (中山市人民政府西區辦事處) Co-organisers: Zhongshan Broadcasting and Television (中山廣播電視台) and Guangdong Shengping Media Co., Ltd.* (廣東聲屏傳媒股份有限公司)	2017
2017 Outstanding Sales Award (2017年年度銷售超越獎)	Chuangcheng Automobile	Dongfeng Nissan South China Second Sales Centre* (東風日產華南二營銷中心)	2017
2017 Top 100 Guangdong Automobile Dealers — Superior Automobile Dealership Outlet* (2017年度廣東省汽車流通行業百強企業評選 — 優秀汽車經銷店)	Zhongshan New Century (Volkswagen Western District Store), New Century Toyota (Toyota Western District Store)	Guangdong Automobile Dealers Association* (廣東省汽車流通協會) (Note 1)	2017
Venucia D60 Outstanding Pre-Sale Award* (啟辰D60預售領先獎)	Dongyue Automobile (Dongfeng Venucia Dongyue store)	Dongfeng Venucia South District* (東風啟辰南區)	2017
Dongfeng Venucia 2016 Superior Vehicle Finance 4S Dealership Outlet* (東風啟辰2016年度汽車金融優秀專營店)	Dongyue Automobile	Dongfeng Motor Company Limited* (東風汽車有限公司), Dongfeng Venucia Motor Company* (東風啟辰汽車公司)	2016
2016 Five-star After-sales Service 4S Dealership Outlet* (2016年度售後服務五星級專營店)	Dongfeng Venucia Dongyue store	Dongfeng Motor Company Limited* (東風汽車有限公司), Dongfeng Venucia Motor Company* (東風啟辰汽車公司)	2016

Notes:

- Guangdong Automobile Dealers Association (廣東省汽車流通協會) is a branch of China Automobile Dealers Association (CADA) (中國汽車流通協會). CADA is the only non-profit national automobile dealers association in the PRC which was registered with the PRC Ministry of Civil Affairs. Headquartered in Beijing, CADA was established in 1990. Its membership comprise dealers engaging in sales of motor vehicles and spare parts, used

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vehicle valuation and management, automobile beauty and maintenance product in relation to motor vehicles and service provision and other automobile-related businesses in the PRC. CADA aims to promote motor vehicles and spare parts sales and other related businesses in the PRC.

2. According to the ACMR Report, in recognition of the significant contribution by Nissan's dealers, Nissan Global Award is awarded by Nissan to its top 50 global dealers in terms of retail sales. In 2017, 20 dealers in the PRC were granted the Nissan Global Award.
3. According to the ACMR Report, the Outstanding New 4S Dealership Outlet Award* (新建優秀專營店) is an award granted by Dongfeng Nissan to dealers for new 4S stores built in the year with top performance. In 2017, only two 4S dealership outlets were awarded this award.

SALES AND MARKETING

Our customer relationship department in each of our 4S dealership outlets is responsible for maintaining customer relationship and attracting new customers. Our sales and marketing strategies mainly include the following:

1. Customer surveys — From time to time, our customer relationship department conducts customer surveys via telephone, social media platforms to find out the level of customer satisfaction and to collect market intelligence;
2. Complementary products and services — We offer purchase discounts, accessories coupons, car care service coupons, assistance to obtaining motor vehicle insurance agency services and extended product warranties to attract customers;
3. Participation in the marketing campaigns organised by our automobile manufacturers — Our automobile manufacturers provide us with marketing and promotional support from time to time. For example, we organised a marathon in Zhongshan with a cooperative society affiliated with FAW Toyota in 2017;
4. Advertising on radio, newspapers, television and billboards;
5. Marketing through digital media — We provide our latest development and marketing information through various digital media platforms; and
6. Official website — We have an official website (<http://www.car2000.com.cn/>) which contains information about our products and services.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our advertising expenses amounted to approximately RMB10.2 million, RMB7.7 million, RMB9.7 million and RMB2.9 million, respectively.

OUR CUSTOMERS

Our customers mainly include motor vehicle wholesalers and retailers, individuals, corporations and government entities. For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue contribution from our top five customers accounted for 0.5%, 1.7%, 0.6% and 2.9%, respectively. Due to the retail nature of our passenger vehicle dealership business, we do not have any single major customer and we believe that our top five customers accounted for less than 30.0% of our total revenue during the Track Record Period.

All of our Group's top five customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest (direct or indirect) in any of our top five customers during the Track Record Period.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, sales of new vehicles constituted approximately 99.5%, 99.3%, 98.9% and 99.2% of our revenue from sales of motor vehicles. When placing orders for new vehicles, our customers are typically required to pay a deposit or advance, and in most cases the balance due must be settled in cash or by bank transfer or secured by an approved vehicle financing before the motor vehicle is collected by or delivered to our customer. Please refer to the paragraph headed "Our Business Segments — Sales of motor vehicles — Sales of new vehicles" in this section.

KEY TERMS OF OUR DEALERSHIP AGREEMENTS

We enter into a dealership agreement for each of our 4S dealerships with the relevant automobile manufacturer. The operation of each of our 4S dealerships is primarily governed by the terms of the relevant dealership agreement and the guidelines set by our automobile manufacturers from time to time. We set forth some typical terms of our dealership agreements:

- *Designated area* — We are authorised to sell passenger vehicles and spare parts under the relevant brands in designated areas. All of our dealerships are non-exclusive;
- *Duration of dealership* — The duration of dealership is typically up to three years;
- *Option to renew the dealership* — The dealership agreements are typically renewable by serving renewal notice up to three months prior to the expiry of the term. For details, please refer to the paragraph headed "Our Business — Our Dealership Network — Our Existing Network" in this section;
- *Initial targets* — Our dealership agreements typically do not provide any minimum purchase or sales requirements. However, our automobile manufacturers may set volume targets indicating the number of new motor vehicles to be sold or purchased, or ask us to agree to such targets, for each dealership at the beginning of a year to serve as a guideline for the year. Such targets may be updated during the year based on the automobile manufacturers' own considerations. As advised by our PRC Legal Adviser, the requirements of reaching the initial targets are generally non-binding in nature, as failing to reach the initial targets would not trigger any breach or termination of the relevant dealership agreements. We have not been imposed any penalty for failing to meet initial sales and purchase volume targets. The volume-based incentive rebates are typically assessed based on the specific monthly, bi-monthly, quarterly, or annual targets provided by the relevant automobile manufacturers in their incentive schemes during the year;
- *Recommended retail prices* — Retail prices of passenger vehicles that we sold are set with reference to the automobile manufacturers' suggested retail prices and pricing guidelines but we retain flexibility to determine the actual retail price and the dealership agreements do not impose a specific price adjustment range from the manufacturers' suggested retail prices;

- *Incentive rebates* — We may be entitled to incentive rebates under the dealership agreements but the details of such rebates are usually set out in the guidelines of our manufacturers rather than the dealership agreements. For further details, please refer to the paragraph headed “Our Business Segments — Sales of motor vehicles — Sales of new vehicles — Incentive rebates” in this section;
- *Sourcing of spare parts and accessories* — We are generally encouraged to obtain spare parts and accessories from our automobile manufacturers but this is not mandatory. If we decide to source from other suppliers, we are typically required to warrant that the quality of these spare parts and accessories is comparable to the spare parts and accessories of our manufacturers. In some agreements, there is no express sourcing requirement;
- *Security deposit* — We may be required to pay a security deposit to our automobile manufacturers;
- *Layout and design of stores* — We are required to meet the layout and design standards for our 4S dealerships;
- *Marketing and promotion* — We are required to follow the marketing guidelines and participate in marketing activities of our manufacturers;
- *Training* — We are required to provide continuous training for our employees;
- *Intellectual properties* — We are entitled to use the trade names, trademarks and other forms of branding, in a manner consistent with the standards set by the manufacturers, to promote brand awareness of passenger vehicles sold through our 4S dealerships;
- *Access to information* — We are required to prepare and submit periodically financial, sales and market information to the relevant manufacturers; and
- *Termination* — Manufacturers may terminate our dealership agreements by notice if the dealerships fail to abide by the terms of the dealership agreements in any material aspect including but not limited to the loss of control over the site and facilities necessary for the operation of the dealerships, the dealerships becoming insolvent, the dealerships having material business risks (for example, risks arising from our misconduct), our failure to conform to our manufacturers’ policies or our operation performance are being continuously unsatisfactory.

During the Track Record Period, with respect to the circumstances that certain of our dealerships did not achieve 100% of the specific volume-based targets in certain period, our Directors confirm that no penalty was resulted and no warning or request for rectification was received from the automobile manufacturers. Our PRC Legal Advisers advise that such circumstances in relation to our dealerships’ performance during the Track Record Period does not fall within the events which may lead to immediate termination of our dealership agreements. As such, our Directors are of the view that such failure to fulfill 100% of certain specific volume-based targets did not affect our relationship with our automobile manufacturers. For details, please refer to the paragraph headed “Our Business Segments — Sales of motor vehicles — Sales of new vehicles — Incentive rebates” in this section.

During the Track Record Period, we operated a 4S dealership outlet dedicated to the Domestic Brand until the dealership was terminated in July 2017. The reason for the Domestic Brand dealership termination is primarily because our business focus was on mid-to-high end sino-foreign or international brands.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, none of our dealership agreements were terminated by any automobile manufacturers, nor did any automobile manufacturers refuse to renew any of our dealership agreements, nor have we received any written notice for the termination of any of our dealership agreements. There was no material adverse change in the terms of our dealership agreements during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notice or complaint of material breach of or material non-compliance with our obligations under our dealership agreements from any manufacturer.

In light of the above, our Directors believe that we will be able to renew all of our dealership agreements or to enter into new dealership agreements upon their expiry.

SUPPLIERS AND PROCUREMENT

Suppliers

A predominant portion of our cost base relates to the purchase of new vehicles for our dealership business. For the three years ended 31 December 2018 and the four months ended 30 April 2019, cost of sales was approximately RMB1,712.3 million, RMB1,759.5 million, RMB1,765.9 million and RMB514.0 million, respectively. Changes in our cost of new vehicles have an impact on our gross profit. Our pricing of merchandise is affected by cost to some extent and we may adjust our prices subject to market conditions.

Our top five suppliers are manufacturers of new passenger vehicles and spare parts. For the three years ended 31 December 2018 and the four months ended 30 April 2019, total purchase from our top five suppliers accounted for 86.5%, 82.9%, 92.0% and 84.0% of our total purchase respectively and total purchase from our single largest supplier accounted for 39.2%, 41.6%, 38.1% and 15.8% of our total purchase, respectively.

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Set out below is a breakdown of our Group's purchases attributable to our Group's top five suppliers during the Track Record Period:

For the year ended 31 December 2016

	Total purchase (RMB'000)	Approximate % of our Group's total purchase
1. Dongfeng Nissan Auto Sales Co.,Ltd. (東風日產汽車銷售有限公司)	633,486	39.2%
2. Supplier X	231,652	14.3%
3. Supplier Y	221,005	13.7%
4. Supplier Z	196,762	12.2%
5. FAW Volkswagen Sales Limited Liability Company (一汽大眾銷售有限責任公司)	114,958	7.1%
	<hr/>	<hr/>
Top five suppliers in aggregate	<u>1,397,863</u>	<u>86.5%</u>

For the year ended 31 December 2017

	Total purchase (RMB'000)	Approximate % of our Group's total purchase
1. Dongfeng Nissan Auto Sales Co.,Ltd. (東風日產汽車銷售有限公司)	751,407	41.6%
2. Supplier Y	219,060	12.1%
3. Supplier X	218,927	12.1%
4. Supplier Z	185,091	10.2%
5. FAW Volkswagen Sales Limited Liability Company (一汽大眾銷售有限責任公司)	124,346	6.9%
	<hr/>	<hr/>
Top five suppliers in aggregate	<u>1,498,830</u>	<u>82.9%</u>

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For the year ended 31 December 2018

	Total purchase (RMB'000)	Approximate % of our Group's total purchase
1. Dongfeng Nissan Auto Sales Co.,Ltd. (東風日產汽車銷售有限公司)	886,996	38.1
2. Supplier Z	630,858	27.1
3. Supplier Y	247,901	10.6
4. Supplier X	200,103	8.6
5. FAW Volkswagen Sales Limited Liability Company (一汽大眾銷售有限責任公司)	177,546	7.6
	<hr/>	<hr/>
Top five suppliers in aggregate	<u>2,143,403</u>	<u>92.0</u>

For the four months ended 30 April 2019

	Total purchase (RMB'000)	Approximate % of our Group's total purchase
1. Dongfeng Nissan Auto Sales Co., Ltd. (東風日產汽車銷售有限公司)	368,982	53.0%
2. Supplier Y	92,821	13.3%
3. FAW Volkswagen Sales Limited Liability Company (一汽大眾銷售有限責任公司)	51,186	7.3%
4. Dongfeng Venucia Motor Sales Co., Ltd (東風啟辰汽車銷售有限公司)	39,584	5.7%
5. Supplier X	32,641	4.7%
	<hr/>	<hr/>
Top five suppliers in aggregate	<u>585,214</u>	<u>84.0%</u>

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Set out below is the background information of our Group's top five suppliers during the Track Record Period:

Suppliers	Products sold and/or services provided to our Group	Background and principal business	Years of business relationship (approximately)	Credit terms and payment method
Dongfeng Nissan Auto Sales Co.,Ltd. (東風日產汽車銷售有限公司)	Passenger vehicles and spare parts	A subsidiary of the leading dealer of Nissan motor vehicles in the PRC engaging in sales of motor vehicles and spare parts	11 years	Prepayment by bank transfer
Supplier X	Passenger vehicles and spare parts	A branch company of a sino-foreign equity joint venture of engaging in sales of motor vehicles and spare parts	15 years	Prepayment by bank transfer or bank acceptance bill
Supplier Y	Passenger vehicles and spare parts	A sino-foreign equity joint venture which engages in the sales of passenger vehicles and spare parts	14 years	Prepayment by bank transfer
Supplier Z	Passenger vehicles and spare parts	A sino-foreign equity joint venture which is the leading dealer of motor vehicles	6 years	Prepayment by bank transfer
FAW Volkswagen Sales Limited Liability Company (一汽大眾銷售有限責任公司)	Passenger vehicles and spare parts	A subsidiary of a sino-foreign equity joint venture which engages in sales of passenger vehicles and spare parts of Volkswagen and other brands	16 years	Prepayment by bank transfer
Dongfeng Venucia Motor Sales Co., Ltd (東風啟辰汽車銷售有限公司)	Passenger vehicles and spare parts	A subsidiary of a sino-foreign equity joint venture which engages in sales of passenger vehicles of Venucia brand, and sales of spare parts	2 years	Prepayment by bank transfer

All of our top five suppliers are Independent Third Parties. None of our Directors, their close associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has an interest in any of our top five suppliers as required to be disclosed under the Listing Rules.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage or delay in the supply of inventories.

Procurement of New Passenger Vehicles, Spare Parts and Accessories

We procure new passenger vehicles directly from automobile manufacturers. The automobile manufacturers set initial annual sales targets, incentive scheme customer satisfaction rates and other performance indicators for each of their 4S dealership outlets. Achievement of these indicators will be taken into account when the relevant automobile manufacturer assesses the dealership's performance and decides the allocation of new passenger vehicles for future sales. For the year ended 31 December 2016, the fulfilment ratio of the initial annual sales target, which is calculated by the actual annual sales volume of a particular brand divided by its initial annual sales target, was over

90% for all brands covered by our authorised dealerships. For the year ended 31 December 2017, except for three brands, the fulfilment ratio of the initial annual sales target of the others brands covered by our authorised dealerships was over 90%. For the year ended 31 December 2018, except for two brands the fulfilment ratio of the initial annual sales target of all brands covered by our authorised dealerships was over 90%. The fulfillment ratio of initial annual sales target for the four months ended 30 April 2019 is not applicable as it is not comparable to annual numbers.

Automobile manufacturers often require full payment of the purchase price before delivery. Certain manufacturers may also require a deposit calculated as a fixed amount or a percentage of the purchase price upon placing the order. According to our dealership agreements with the automobile manufacturers, risks associated with the new passenger vehicles and spare parts are transferred to us upon shipment or delivery. Our suppliers for spare parts and accessories typically grant a credit period between three to six months to us.

During the Track Record Period, all of our Group's purchases from our top five suppliers, representing approximately 86.5%, 82.9%, 92.0% and 84.0% of our Group's total purchase, were manufactured or supplied by domestic joint ventures of, manufacturers based in countries outside of the PRC, namely Japan, Germany, South Korea and the United States. Since we do not import passenger vehicles from overseas directly, we are not required to pay any import or custom duties or tariffs for our passenger vehicles. We have not been involved in the parallel import of passenger vehicles into the PRC.

For spare parts and accessories, most of our authorised manufacturers have specific requirements on the source of supply. As such, we decide to source substantially all of our spare parts and accessories from automobile manufacturers or their authorised suppliers to monitor the quality of our spare parts and accessories.

We are entitled to return passenger vehicles and spare parts with manufacturing defects to the suppliers. If the defects were caused during transport, we usually claim damages from the logistics and transport companies. During the Track Record Period, we had no significant purchase returns for passenger vehicles or spare parts.

INVENTORY MANAGEMENT

We actively monitor our inventories of passenger vehicles, spare parts and accessories at our dealerships to ensure cost efficiency, quality control and timely distribution. Our average inventory turnover days were 45 days, 36 days, 43 days and 57 days for each of the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. In addition, our average inventory turnover days for motor vehicles were 48 days, 38 days, 45 days and 63 days for the three years ended 31 December 2018 and the four months ended 30 April 2019. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements to finance our inventories.

We set inventory targets with reference to the levels of inventory at each of our 4S dealerships and the sales target set by the automobile manufacturers to guide our dealerships' procurement and sales plan and we closely monitor the inventory level and turnover of each dealership. The 4S dealership managers evaluate and plan for procurement and sales in accordance with our internal guidelines. It is our policy that we perform stock take at least four times a year. Some of the manufacturers set a recommended inventory level of new passenger vehicles, spare parts or accessories that we are encouraged to maintain to respond to customer demand in a timely fashion,

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and we are rewarded with incentive rebates if we can meet the inventory targets set by our automobile manufacturers. Overstocking may reduce our entitlement to incentive rebates granted by our automobile manufacturers.

INFORMATION TECHNOLOGY

Most of our dealerships are required to use the designated information technology systems developed and provided by various automobile manufacturers, which apply to all dealerships authorised by the same manufacturer, in relation to the management of sales record, inventory record and procurement record, among other things. We review and analyse this information based on vehicle brands to better understand our customers' preferences and consumption patterns to guide our business decision making. We can also monitor our key performance indicators such as turnover of our inventories of new passenger vehicles and cash flow.

EMPLOYEES

We are committed to recruiting, training and retaining skilled and experience people throughout our operations. We intend to achieve this by offering competitive remuneration packages as well as focusing on training and career development.

As at the Latest Practicable Date, we had a total of 955 full-time employees which are all in the PRC. The following table sets forth the total number of our full-time employees by function as at the Latest Practicable Date.

Function	Number of Employees
Senior management	7
Dealership managers	15
Sales	232
After-sales operations	529
Marketing	23
Customer services	46
Finance and accounting	63
Administration procurement and human resources	40
Total	955

We recruit our staff through job fairs organised by the government, social media, advertisements posted at school bill boards and internal referrals.

We are required under PRC laws and regulations to make mandatory contributions to the housing provident fund for our employees who are eligible for these benefits. As at the Latest Practicable Date, save as disclosed in the paragraph headed “Legal Proceedings and Regulatory Compliances — Non-compliance matters” in this section, we had duly made all the required mandatory contributions for our employees following the opening of their social insurance and housing provident fund accounts.

We believe that we have good relations with our employees. During the Track Record Period, we did not experience any strikes, work stoppages or significant labor disputes, nor did we experience any significant difficulties in recruiting or retaining qualified staff.

We provide competitive compensation packages and benefits to attract talented people. The evaluation results are linked to compensation and promotion. We review our staff remuneration packages from time to time.

We have devised and successfully implemented an in-house program to train and develop our dealership managers, who are crucial to the success of our 4S dealerships. Our customer-facing employees are trained through our internal training courses as well as training seminars provided by manufacturers on new vehicle models and their management, sales and service standards. We also work together with manufacturers and local educational institutions to train automotive technicians.

COMPETITION

The automobile dealership industry in the PRC is highly competitive and fragmented. According to the ACMR Report, the top five dealership groups in the PRC in terms of revenue had approximately 10.8% of the market share in 2018.

According to the ACMR Report, the 4S dealership has become the dominant platform for retailing passenger vehicles in the PRC. The Measures for the Administration of Automobile Sales (汽車銷售管理辦法), which was effective on 1 July 2017, allows sales of motor vehicles to be carried out with or without authorised dealership agreements. It also stipulates that, save as agreed otherwise in the dealership agreements, automobile manufacturers are not allowed to conduct direct sales to customers in geographical areas in which authorised dealers are appointed.

There is also an emerging business model adopted by new energy vehicle manufacturers, in which such manufacturers will make use of internet and technology, for example, mobile application, to carry out direct sales of motor vehicles to their customers instead of appointing authorised dealers as their distributors.

Notwithstanding the above, according to the ACMR Report, as (i) new forms of motor vehicle retailers such as motor vehicle supermarkets, motor vehicle stores, motor vehicle e-commerce, still purchase passenger vehicles from existing authorised dealerships, and only utilise this as an opportunity to develop derivative businesses such as vehicle financing; and (ii) only a few automobile manufacturers are conducting direct sales of motor vehicles to their customers, authorised dealerships are expected to continue to dominate the passenger vehicle dealership market in the PRC.

On the other hand, according to the ACMR Report, there are various modes of trading of used vehicles, including used vehicles companies, used vehicles agencies and used vehicle e-commerce platforms, in which the development of used vehicle e-commerce platforms was rapid. These used vehicle e-commerce platforms enable the vendors of the used vehicles to sell their used vehicles online and customers would be able to conclude the sales of the used vehicles online. They also provide registration of title transfer of used vehicles and arrangement of vehicle financing for their customers. Nonetheless, according to the ACMR Report, customers of used vehicles are more willing to purchase used vehicles from 4S dealership outlets due to the better quality of used vehicles sold by the 4S dealership outlets and the 4S dealership outlets would be able to provide various integrated auto services such as repair services to the customers. Given that our Group would be able to provide one-stop used vehicle services including used vehicle valuation and auction services, registration of title transfer of used vehicles and used vehicle warranty services, our Directors are of the view that our used vehicle services would not be materially affected by competition from used vehicle e-commerce platforms.

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ACMR considers the passenger vehicle market in the PRC is presented with the following opportunities: (i) rapid growth of the passenger vehicle market in third and fourth tier cities; (ii) increasing passenger vehicles on roads will boost demand for after-market services; (iii) upgrading of consumption structure of motor vehicles of residents in the PRC; and (iv) accelerating potential merger and acquisition of dealerships.

On the other hand, ACMR considers that the passenger vehicle market in the PRC is facing the following key threats: (i) economic uncertainties may decelerate the growth of passenger vehicle market in the PRC; (ii) change of global trading environment may affect the structure of passenger vehicle market in the PRC; (iii) growing popularity of car sharing may decrease market demand for passenger vehicles; and (iv) decline of subsidies of new energy vehicles.

According to the ACMR Report, the passenger vehicle dealership industry in the PRC has a relatively high level of entry barriers, e.g. capital, human resources, authorisations from automobile manufacturers, etc. Market participants in the passenger vehicle dealership industry mainly compete on brand portfolio, service quality, vehicle models, vehicle prices, among other features. Our Directors believe that we are well positioned to compete in the PRC automobile industry.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered (i) one trademark in Hong Kong; (ii) four trademarks in the PRC; and (iii) one domain name in the PRC.

In addition, as at the Latest Practicable Date, we have no patents. In addition, under a typical dealership agreement, we are entitled to use a manufacturer's trade names, trademarks and other branding material in our promotional activities provided it is in a manner consistent with the standards set by the manufacturer. In order to defend our intellectual property rights and the intellectual rights that we are licensed to use, we monitor whether there is any infringement of our brand by conducting internet searches including the websites of the administration and industry commerce authorities regularly. During the Track Record Period, our Group did not commence any material legal proceedings for infringement of our intellectual property rights to other third parties.

For more information of our intellectual property rights, see "Statutory and General Information — Further Information about The Business — Intellectual property rights" in Appendix IV to this prospectus.

PROPERTIES

As at the Latest Practicable Date, we occupy 26 properties in connection with our business operations including one owned property and 25 leased properties. Our properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and include the premises of our outlets, as well as certain ancillary buildings located in Zhongshan within the Guangdong province.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that as of 30 April 2019, each of our properties has a carrying amount below 15% of our consolidated total assets.

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Our Owned Property

As at the Latest Practicable Date, we owned one property in the PRC, the details of which are set out below:

No.	Owned Property	Gross land area (square metres)	Gross floor area (square metres)	Registered Owner
1.	No. 33 Chengnan 4th Road, Southern District, Zhongshan* 中山市南區城南四路33號	11,923.1	6,855.75	Chuangri Automobile

Dongfeng Nissan Chuangri Store (創世紀東風日產南區創日店) is erected on our owned property.

As advised by our PRC Legal Adviser, during the Track Record Period, Chuangri Automobile delivered our owned property for use before completing the acceptance inspection. This is due to the fact that the staff who handled the acceptance inspection was not familiar with the relevant procedures and requirements. As a result, there is a risk that Chuangri Automobile may be subject to a fine equal to 2% to 4% of the total construction cost.

As at the Latest Practicable Date, Chuangri Automobile has obtained the real estate ownership certificate for the land use right and the building ownership on 17 June 2019.

In addition, we have obtained a confirmation issued by the Zhongshan Natural Resources Bureau* (中山市自然資源局) on 19 July 2019, confirming that Chuangri Automobile has not been penalised for contravening any laws and regulations in relation to land and resources. Pursuant to the Land Administration Law of the People's Republic of China (中華人民共和國土地管理法), land administrative departments of the people's governments at and above the county level shall exercise supervision and examination on violations to the land administrative law and administrative decrees. Our PRC Legal Advisers are of the view that the Zhongshan Natural Resources Bureau* (中山市自然資源局) is the competent authority to provide the confirmation.

We have obtained a confirmation issued by the Zhongshan People's Government Financial Task Bureau* (中山市人民政府金融工作局), confirming that after its inquiry to the Zhongshan Fire Safety Brigade (中山市消防支隊) and on the basis of the response from Zhongshan Fire Safety Brigade, Chuangri Automobile has not been penalised for contravening any laws and regulations in relation to fire safety. Pursuant to the Fire Protection Law of the People's Republic of China (中華人民共和國消防法), the public security organs of a local people's government at or above the county level shall supervise and administer the fire protection work within its administrative area, and the fire protection division of the public security organs of such a people's government shall be responsible for carrying out the fire protection work. According to the description of the functions of Zhongshan People's Government Financial Task Bureau, published on its official website, it is authorised to provide guidance and assistance of listing for the pre-IPO enterprises. Our PRC Legal Advisers are of the view that Zhongshan Fire Safety Brigade is the competent authority and Zhongshan People's Government Financial Task Bureau is the appropriate authority to issue the confirmation above on the basis of the response from Zhongshan Fire Safety Brigade.

Up to the Latest Practicable Date, the above confirmations have never been challenged by any higher authorities. Our PRC Legal Advisers are of the view that the risk that the confirmations above will be challenged by higher authorities is remote as the respective local government authorities that issued the confirmations are the competent administration department. As at the Latest Practicable Date, Chuangri Automobile has obtained the above confirmations from the competent authorities, it also has completed the acceptance inspection and has obtained the real estate ownership certificate for our owned property, our risk of being penalised by the relevant government authority for delivering the property for use before completing the acceptance inspection is remote.

Our Leased Properties

As at the Latest Practicable Date, we leased a total 25 properties in the PRC. Our Company has leased an office with gross floor area of 100 square metres. Our PRC operating subsidiaries leased 24 properties including an aggregate area of approximately 77,844 square metres for dealership outlets and an aggregate area of approximately 7,889 square metres, which primarily used as quick fix auto centre, office premises, car park and staff quarter. This included buildings under construction for the operation of the new outlet for Cadillac erected on leased land parcels with an aggregate site area of approximately 3,950 square metres.

Except for the Excluded Group (please refer the paragraph headed “Our Business — Our Dealership Network — Our Existing Network” in this section and the section headed “Connected Transactions — Non-exempt connected transaction — 3. Property Leasing Framework Agreement” in this prospectus for details), all our lessors are Independent Third Parties. During the Track Record Period, we have not experienced any difficulty or failure of renewing our lease agreements.

The table sets forth a summary of our leased properties with defective titles:

Nature of the leased properties with title defects	Consequence of title defect and maximum penalty	Rectification measures taken and the status as at the Latest Practicable Date	PRC Legal Advisers' view
<p>1. Five properties which are used for the operation of 4S dealership outlets, where one is under construction with an aggregate area of approximately 29,790 square metres which our lessor failed to provide the land use right certificate and/or the building ownership certificates.</p>	<p>As advised by our PRC Legal Advisers, there is a risk that we may not be able to continue to lease the property and the competent authorities may order the demolition of the buildings.</p>	<p>Our PRC Legal Advisers interviewed the lessor and confirmed their ownership and that they are entitled to lease the relevant properties. Our PRC Legal Advisers interviewed (i) the Zhongshan Southern District Task Committee* (中山市南區工作委員會), which is the competent authority for two out of the five properties; and (ii) the Zhongshan Western District Housing and Urban and Rural Construction Bureau* (中山市西區住房和城鎮建設局), which is the competent authority for the other three properties. Both the competent authorities confirmed that, (i) we shall have the right to continue to occupy and use the properties; (ii) we have not been penalised or prosecuted for using these properties; and (iii) there have not been any disputes in relation to the use of these properties.</p>	<p>As advised by our PRC Legal Adviser,</p> <p>(i) we can continue to use these properties;</p> <p>(ii) the risks of the buildings being demolished by the relevant government authority is remote; and</p> <p>(iii) our risk, as lessees, of being penalised by the relevant government authorities is remote.</p>
<p>Three of the five properties are indirectly wholly owned by our controlling Shareholder, Mr. Law. We have obtained a confirmation from Zhongshan Financial Task Bureau* (中山市金融工作局), confirming that after its inquiry to the Zhongshan Natural Resources Bureau* (中山市自然資源局) and on the basis of the response from Zhongshan Natural Resources Bureau and the approval from Zhongshan People's Government Office* (中山市人民政府辦公室), the government did not issue building ownership certificates according to the government urban planning.</p>		<p>Up to the Latest Practicable Date, the above confirmations have never been challenged by any higher authorities. Our PRC Legal Advisers are of the view that the risk that the confirmations above will be challenged by higher authorities is remote as the respective local government authorities issued the confirmations are the competent administration department.</p>	
<p>In relation to the other two properties, the lessor is an affiliated company with the Zhongshan Southern District Government. To the best of our Directors' knowledge, the title defects were mainly due to the lessor failed to obtain the land use right certificate and the building ownership certificate. According to the lease agreement, the lessor, being the proper applicant for the relevant certificates and approvals, would use its best effort to obtain the relevant approval.</p>		<p>Our lessor have undertaken to indemnify us against any liabilities or losses arising from any title defects of these properties. Our Controlling Shareholders has agreed to indemnify us against any liabilities or losses arising from any title defects of these properties.</p>	
		<p>For the two properties whose lessor is an affiliated company with Zhongshan Southern District Government, we have taken active steps to liaise with the relevant lessors and request them to rectify the title defect. As at the Latest Practicable Date, we have not yet received their feedback.</p>	

Nature of the leased properties with title defects	Consequence of title defect and maximum penalty	Rectification measures taken and the status as at the Latest Practicable Date	PRC Legal Advisers' view
<p>2. A property which is used for the operation of 4S dealership outlet with an area of approximately 8,908 square metres.</p>	<p>— Our lessor failed to provide real estate ownership certificate of the building.</p> <p>We leased a land parcel from Zhongshan New Century which is indirectly wholly owned by our Controlling Shareholder, Mr. Law. The land parcel was acquired from the platform of the local officials* (當地政府招商引資平台) to attract investment and to promote local development on behalf of the Zhongshan Minzhong District Government. On 25 April 2018, our lessor entered into a land use right reclamation agreement with the Zhongshan Minzhong District Government, pursuant to which the government sought to reclaim a portion of the land parcel for infrastructure development due to the change of provincial highway construction plan. The lessor has obtained the renewed land use right certificate.</p> <p>The lessor is in the process of obtaining the real estate ownership certificate of the building.</p> <p>— In addition, the relevant land parcel is designated for industrial use, but currently it is used for operation of a 4S dealership outlet, which does not confirm with the designated usage.</p>	<p>Our PRC Legal Advisers interviewed with the People's Government of Minzhong Town, Zhongshan, the PRC* (中山市民眾镇人民政府), the competent authority, and confirmed that, (i) we shall have the right to continue to occupy and use the properties; (ii) we had not been penalised or prosecuted for using these properties in relation to the title defects; (iii) there was no dispute in relation to the use of this property; and (iv) there is no legal impediment for the lessor to obtain the real estate ownership certificate of the building.</p>	<p>Our PRC Legal Advisers are of the view that:</p> <p>(i) We are able to continue to use the property, and the lessor is entitled to lease the property.</p> <p>(ii) there is no legal impediment for the lessor to obtain the real estate ownership certificate of the building, after completing all necessary procedures.</p> <p>(iii) our risk, as lessee, of being penalised by the relevant government authority due to change in land use is remote.</p>
	<p>As advised by our PRC Legal Advisers, in relation to the change in land use, (i) there is a risk that we may not be able to continue to use the property in the case where the lessor is ordered by the land administrative department to return the land parcel; and (ii) there is a risk that we will be penalised due to the change of land use.</p>	<p>Up to the Latest Practicable Date, the above confirmation has never been challenged by any higher authorities. Our PRC Legal Advisers are of the view that the risk that the confirmation above will be challenged by higher authorities is remote as the respective local government authority issued the confirmation is the competent administration department.</p>	
	<p>As at the Latest Practicable Date, Zhongshan New Century, as lessor, is in the process of and has undertaken to obtain the real estate ownership certificate of the building.</p>	<p>Our Controlling Shareholders will use their best effort to procure Zhongshan New Century to obtain the real estate ownership certificate of the building. It is expected that Zhongshan New Century would be able to obtain the real estate ownership certificate of the building by end of 2019.</p>	
	<p>Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from any title defects of this property.</p> <p>In the unlikely event that we are required to relocate the relevant 4S dealership outlet, we will implement the contingency plan. Our Directors believe such relocation will not have a material adverse impact on our operation and financial position, given the availability of the comparable properties and the relocation costs expected to be immaterial.</p>		

Nature of the leased properties with title defects	Consequence of title defect and maximum penalty	Rectification measures taken and the status as at the Latest Practicable Date	PRC Legal Advisers' view
<p>3. Five leased properties erected on the collectively-owned land which are used for the operation of 4S dealership outlets with an aggregate area of approximately 10,669 square metres.</p> <p>— Our lessor failed to provide building ownership certificate and/or land use right certificate.</p> <p>— Our lessor failed to demonstrate that they are entitled to lease the respective properties. Under the Administrative Measures of Guangdong Province for the Circulation of the Right to the use of the Land for Construction Purposes, the lease of a collectively owned land must be approved by at least two-thirds of the members of the village assembly or representatives of the villagers.</p>	<p>Our PRC Legal Advisers are of the view that (i) the lease agreements may be deemed invalid, as the lessor failed to demonstrate that they are entitled to lease the respective properties; and (ii) there is a risk we may not be able to continue to use the properties and the buildings may be demolished by the competent authority.</p>	<p>We have confirmed with the village committee of the collectively-owned land that they had completed all of the required procedures regarding the approval of the relevant leases. We have also confirmed with the village committee and the lessor that: (i) we can continue to use the relevant properties; and (ii) there are no disputes in relation to the ownership of the properties.</p>	<p>As advised by our PRC Legal Advisers, based on the confirmations obtained from or interviews with the village committee the lease had been approved by at least two-thirds of the members of the village assembly or representatives of the villagers and in accordance with the PRC law, the title defects should not have any material adverse impact on our business operation.</p>
<p>— Our lessors have undertaken to indemnify us against any liabilities or losses arising from any title defects of these properties. Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from any title defects of these properties.</p>			
<p>To the best of our Directors' knowledge, the lessor failed to obtain the building ownership certificate and/or land use right certificate primarily due to the historical reasons of urban planning.</p>		<p>We also obtained a confirmation issued by the Zhongshan Xiaolan District Housing and Urban and Rural Construction Bureau* (中山市小欖鎮住房和城鄉建設局), the competent authority on 2 March 2018 with respect to one of the five properties which states that we can continue to use the property and we had not been penalised or held liable for the use of that property. Up to the Latest Practicable Date, the above confirmations have never been challenged by any higher authorities. Our PRC Legal Advisers are of the view that the risk that the confirmations above will be challenged by higher authorities is remote as the respective local government authorities that issued the confirmations are the competent administration department.</p>	

Nature of the leased properties with title defects	Consequence of title defect and maximum penalty	Rectification measures taken and the status as at the Latest Practicable Date	PRC Legal Advisers' view
		<p>We have sent out notification to the lessor as to the title defect and requested the lessor to obtain the building ownership certificate. As at the Latest Practicable Date, we have not yet received their reply.</p> <p>We have not obtained confirmation from competent authorities in relation to the four remaining properties erected on the collectively-owned land, as (i) our Directors are of the view that the scale of the operations is relatively small and our Group has been actively seeking new properties with comparable size for relocation; and (ii) our lessors are unwilling to cooperate with us to obtain the relevant confirmations as they are of the view that the indemnity given to us are already sufficient to protect our interests.</p> <p>The lease agreement of one of these remaining four properties expired in May 2019. For the other three of these remaining four properties, we have already entered into letters of intent with the respective lessors regarding new premises for relocation. As confirmed by our PRC Legal Advisers, the proposed leased properties do not have any title defect. Our Directors believe that in the unlikely event of a relocation, the relocation will not have a material adverse impact on our operation and financial position.</p>	

View of our Directors

Our Directors are of the view that the title defects of our leased properties as described above would not have any material adverse impact on our business operation due to the following reasons:

1. Save for the five properties erected on collectively-owned land parcels as described in item 3 of the leased properties table above, our PRC Legal Advisers are of the view that the risk of (i) not able to continue to use, and (ii) being penalised due to the title defects is remote;
2. Although there is a risk of not being able to continue to use the properties under item 3, in any event, relocation will not have a material adverse impact on our operations or financial conditions, as (i) for the three years ended 31 December 2018 and the four months ended 30 April 2019, the revenue generated from our business operation on our leased properties erected on the collectively-owned land was approximately RMB165.9 million (representing approximately 9.0% of our revenue), RMB196.4 million (representing approximately 10.3% of our revenue), RMB202.8 million (representing approximately 10.5% of our revenue) and RMB67.5 million (representing approximately 11.9% of our revenue), respectively and the gross profit derived from these properties was approximately RMB11.9 million (representing approximately 9.7% of our gross profit), RMB14.4 million (representing approximately 9.9% of our gross profit), RMB19.2 million (representing approximately 11.0% of our gross profit) and RMB4.2 million (representing approximately 7.7% of our gross profit), respectively; (ii) these premises can be replaced by other suitable replacement; (iii) the relocation time is estimated to be within two to three months; and (iv) the relocation cost is considered to be immaterial;
3. As confirmed by relevant competent authorities, we have not been penalised or held liable for the title defects of our leased properties. As at the Latest Practicable Date, we had not been involved in any litigation or disputes due to the lack of building ownership certificates and/or land use right certificates of our Group or our lessors;
4. We submitted documents relating to our ownership or lease of properties for our dealership stores to automobile manufacturers prior to the execution of dealership agreements, including the related title documents. Relevant automobile manufacturers were notified of any title defects before they entered into the dealership agreements with us. In addition, during the preparation of Listing, we have notified the relevant automobile manufacturers again in relation to the abovementioned title defects in the first quarter of 2019. As advised by our PRC Legal Advisers, for automobile manufacturers of four brands (namely Dongfeng Nissan, FAW Toyota, FAW Volkswagen and Dongfeng Venucia), the existing title defects of the relevant properties would not constitute any breach of the relevant dealership agreements. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, revenue generated from our operations on the properties of these four brands was approximately RMB1,521.7 million, RMB1,614.2 million, RMB1,582.3 million and RMB441.7 million, respectively, representing approximately 82.9%, 84.7%, 81.5% and 77.7% of our revenue, respectively; and gross profit generated from our operations on the properties of these four brands amounted to approximately RMB100.5 million, RMB121.7 million, RMB141.2 million and RMB42.6 million, respectively representing approximately 82.1%, 83.7%, 81.0% and 78.4% of our gross profit, respectively. On the other hand, as advised by our PRC Legal Advisers, for automobile manufacturers of the other three brands (namely Buick, Chevrolet and Beijing Hyundai), the existing title defects would not trigger any

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termination of the dealership agreements by the relevant automobile manufacturers, given that (a) the relevant automobile manufacturers were aware of such title defects before they entered into the relevant dealership agreement with us, (b) we had never been subject to any material claim or required to rectify in connection with any title defects of properties. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, revenue generated from our operations on the properties of these three brands was approximately RMB312.5 million, RMB290.2 million, RMB356.7 million and RMB116.2 million, respectively, representing approximately 17.0%, 15.2%, 18.4% and 20.4% of our revenue, respectively; and gross profit generated from our operations on the properties of these three brands amounted to approximately RMB21.8 million, RMB23.7 million, RMB32.8 million and RMB10.8 million, respectively representing approximately 17.8%, 16.3%, 18.8% and 19.9% of our gross profit, respectively;

5. During the Track Record Period and up to the Latest Practicable Date, none of our dealership agreements were terminated by any automobile manufacturer in connection with title defects of the properties mentioned above;
6. We are not aware of any difference of land cost or rental that we would have to pay in the event that the relevant properties did not have effective titles;
7. Our lessors have undertaken to indemnify us against any liabilities or losses arising from any title defects of our leased properties; and
8. Our Controlling Shareholders have undertaken to indemnify us against any liabilities or losses arising from any title defects of our owned or leased properties.

INSURANCE

We carry insurance covering risks including loss of and damage to property such as fixed assets and inventories at our stores and losses due to fire, flood and a broad range of other natural disasters, excluding earthquakes and tsunamis. However, we do not carry liability insurance covering all potential liabilities that may arise in the ordinary course of our business and we do not maintain insurance coverage for business interruption. We consider our insurance coverage to be adequate and in line with industry practices in the PRC. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims. However, should any significant uninsured damages to any of our properties, inventories or other assets or liabilities claims against us occur, our business, financial condition and results of operations may be adversely affected. See “Risk Factors — Risks relating to our business — Our insurance coverage may be inadequate to protect us from us from certain types of losses” in this prospectus for more information.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCES

We are not a party to, and we are not aware of any threat of any legal, arbitral or administrative proceedings, which, in the opinion of our management, is likely to have a material adverse effect on our business, financial conditions or results of operations. However, we may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Non-Compliance Matters

Details of non-compliance incidents in relation to our owned or leased properties are set out in the paragraph headed “Properties” in this section.

The table below sets forth material non-compliance incidents that our Group were involved during the Track Record Period:

Non-compliance incidents and reasons	Potential maximum penalties	Remedial actions and status as at the Latest Practicable Date
<p>1. Social insurance contributions</p> <p>During the Track Record Period, we did not register and/or provide full social insurance contributions for our PRC employees. We estimate that the amounts of social insurance contributions that we underpaid for the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately RMB3.4 million, RMB3.3 million, RMB3.8 million and RMB1.7 million, respectively.</p> <p>The non-compliance was primarily due to the human resources managers being unfamiliar with the relevant regulatory requirements. In addition, some of our employees were reluctant to cooperate with our PRC subsidiaries in making contributions for social insurance.</p>	<p>According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), an employer who fails to complete social security registration shall be ordered by the social security administrative authorities to register within a stipulated period; where registration is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable. We may be ordered to make the unsubscribed contributions with an additional late payment fee at a daily rate of 0.05% of the outstanding contributions from the due date within a given period, and if we fail to do so, we may be imposed to a fine ranging from one to three times of the total amount of the unsubscribed contributions or seek an order from the court for mandatory contributions to be made.</p>	<p>We have obtained confirmations from Zhongshan Human Resources and Social Insurance Bureau* (中山市人力資源和社會保障局) that all of our PRC subsidiaries except Chong Kit Management which did not have any employees at the time of confirmation have not been penalised or held liable for our failure to register and/or provide full social insurance contributions for our PRC employees.</p> <p>Our PRC Legal Advisers are of the view that Zhongshan Human Resources and Social Insurance Bureau (中山市人力資源和社會保障局) is the competent authority to issue the confirmation letters.</p> <p>As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant government authorities with respect to this incident, nor had any order been received by our Company to settle the outstanding amount of social insurance contributions. We are not aware of any employee's complaints or demands for payment of social insurance payments, nor had we been involved in any disputes or arbitration in this regard.</p> <p>We have made provision for social insurance contributions. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our provision for social insurance contributions amounted to approximately RMB3.4 million, RMB3.3 million, RMB3.8 million and RMB1.7 million, respectively.</p> <p>Our PRC Legal Advisers are of the view that the risk of us being subject to the supplemental payment for the outstanding amount and potential financial penalties, or being penalised, is remote.</p> <p>Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incidents.</p>

Non-compliance incidents and reasons

2. Housing provident fund contributions

During the Track Record Period, we did not register within the time limit prescribed in the Regulations on Administration of Housing Provident Fund and/or provide full housing provident fund contributions for our PRC employees. We estimate that the amounts of housing provident fund payments that we underpaid for the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately RMB2.4 million, RMB2.6 million, RMB3.0 million and RMB0.7 million respectively.

The non-compliance was primarily due to the human resources managers being unfamiliar with the relevant regulatory requirements. In addition, some of our employees were reluctant to cooperate with our PRC subsidiaries in making contributions for housing provident fund.

Potential maximum penalties

According to the Housing Provident Fund Management Regulations in the PRC (《住房公积金管理条例》), (i) if an employer fails to register housing provident fund account within 30 days after its establishment, the relevant housing provident fund authority may order the employer to register housing provident fund account within a given period. If it fails to do so, the relevant housing provident fund authority may impose a fine ranging from RMB10,000 to RMB50,000 on the employer; and (ii) if an employer fails to pay housing provident fund contributions within 30 days after the employment of its employees, the relevant housing provident fund authority may order the employer to pay the outstanding housing provident fund within a given period, and if the employer fails to do so, the housing provident fund authority may apply for a court order from the relevant court to enforce such repayment.

Remedial actions and status as at the Latest Practicable Date

We have obtained written and/or oral confirmations from the Zhongshan Municipal Housing Provident Fund Management Centre* (中山市住房公积金管理中心), each stating that: (i) each of our PRC subsidiaries has set up a housing provident fund account at the centre save for Chong Kit Management which did not have any employees at the time of confirmation; (ii) since 1 January 2016, the centre had not received any employee complaints regarding non-compliant housing provident fund contributions; and (iii) since 1 January 2016, our PRC subsidiaries had not been penalised or demanded to take any remedial actions from the centre.

As advised by our PRC Legal Advisers, the Zhongshan Municipal Housing Provident Fund Management Centre* (中山市住房公积金管理中心) is a competent authority to give these confirmations. Based on the confirmations, our PRC Legal Advisers considers that the risk of being penalised is remote.

As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant government authorities with respect to this incident, nor had any order been received by our Company to settle the outstanding amount of housing provident fund contributions. We are not aware of any employee's complaints or demands for payment of housing provident fund contributions, nor had we involved in any disputes in this regard.

We made provision for housing provident fund contributions. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our provision for housing provident fund contributions amounted to approximately RMB2.4 million, RMB2.6 million, RMB3.0 million and RMB0.7 million, respectively.

Our PRC Legal Advisers are of the view that the risk of us being subject to the supplemental payment for the outstanding amount and potential financial penalties, or being penalised is remote.

Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incidents; no administrative penalty has been imposed.

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Our Directors are of the view that the non-compliance incidents would not have any material adverse impact on our operation or financial condition due to the following reasons:

- i. We have received, interviewed or obtained written confirmation from competent authorities, stating that all of our PRC subsidiaries had not been penalised or demanded to take any remedial actions;
- ii. We are not aware of any employee's complaints or demands for payment of social insurance or housing provident fund contributions, nor had we been involved in any disputes in this regard;
- iii. We had made provision for social insurance and housing provident fund contributions during the Track Record Period; and
- iv. Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incidents.

Our PRC Legal Advisers, has advised us that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the paragraph headed "Properties" in this section, we had complied with applicable PRC laws and regulation, in all material respects, and that we have obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations in the PRC, and these licences, approvals and permits were still valid and there were no circumstances which would lead to the revocation, cancellation or invalidation, and there were no legal impediments for our PRC operating subsidiaries carrying on their business operation within their respective business scopes.

INTERNAL CONTROL AND RISK MANAGEMENT

On 31 August 2018, we engaged BT Corporate Governance Limited as an independent internal control adviser ("**Internal Control Adviser**") to perform compliance procedures review on our internal control policies related to, among others, the historical non-compliance incidents. BT Corporate Governance Limited (formerly known as Baker Tilly Hong Kong Risk Assurance Limited and Corporate Governance Professionals Limited) is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. The Internal Control Adviser is a company providing, among others, internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong. The scope of work covers, (i) non-compliance with our occupation and use of our leased properties in the PRC; and (ii) social insurance and housing provident fund contributions. The Internal Control Adviser performed a review on the historical non-compliance incidents. Based on its findings, the Internal Control Adviser has put forward its recommendations. In particular, our Directors confirmed that the following recommendations provided by the Internal Control Adviser have been or will be implemented:

Our internal control policies in relation to our owned or leased properties with defective title

To better protect the ongoing interests of our Shareholders against the risks of our operations on our owned or leased properties with title defects mentioned above, where practicable, we will use our best effort and take all reasonable steps to arrange title rectification and request and assist the lessor(s) to arrange title rectification. Previously, due to the lack of legal knowledge of our human resources department and the lack of timely internal communication, we did not designate any personnel to take care of property related

compliance matters. On the recommendation of our Internal Control Adviser, we have designated our construction supervisor, Mr. Wei Kun He, to handle construction compliance matters to ensure that we obtain all requisite approvals and permits prior to the commencement of construction and our use of land and buildings are consistent with their permitted use. Mr. Wei Kun He who joined our Group in 2011, possesses the assistant engineer qualification. He has been assisting in our 4S dealership outlet construction projects since 2011. Our designated personnel, together with our construction contractors, will monitor the completion of as-built inspection and environmental assessment, and ensure all test results are well documented and duly signed off.

On the recommendations of our Internal Control Adviser, we have formulated a construction project management policy which sets out, among other things, the procedures for obtaining the requisite approvals and permits prior to the commencement of construction and completing the requisite as-built inspection.

Going forward, if we are in doubt about the title, use or construction of prospective owned or leased properties, we will seek advice from external counsel before entering into any definitive property or construction contracts.

We will disclose in our annual/interim reports the updated status of the rectification of title defects with respect to the leased properties mentioned above. In addition, we will disclose in our annual/interim reports and by separate announcements the updated status regarding the consent from automobile manufacturers, local government and lessors for our potential relocations.

Our internal control policies in relation to social insurance and housing provident fund contributions

Our human resources and accounts personnel will register all social insurance and housing provident fund contributions and calculate the amounts of social insurance and housing provident fund contributions for the approval of our chief financial officer. We will make the requisite contributions every month.

The departments where departing employees work are responsible for making the final social insurance and housing provident fund filings for the departing employees, and will notify our human resources and accounts personnel of the departure of these employees. Our human resources and accounts personnel will ensure that the amounts of social insurance and housing provident fund contributions of all departing employees are correct.

Other internal control policies

Other relevant internal control policies include the following:

1. we will engage our external legal adviser upon Listing to provide timely legal advices to our Board and other relevant staff on the applicable laws, rules and regulations concerning the non-compliance matters occurred in our operations;
2. we have appointed Fortune Financial Capital Limited as our compliance adviser upon the Listing pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to the compliance with the Listing Rules;

3. we have appointed Ms. Liang Jiexin and Mr. Chan Ngai Fan as our joint company secretaries to ensure the compliance of our operation with the relevant laws and regulations. Please refer to the section headed “Directors and Senior Management — Joint Companies Secretaries” in this prospectus for further detailed biographical information of each of them;
4. we have established an audit committee, a remuneration committee and a nomination committee primarily consisting of independent non-executive Directors to continuously provides our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group and oversees the audit process and performs other duties and responsibilities as assigned by our Directors. For the biographical details of the members, please refer to the section headed “Directors and Senior Management” in this prospectus; and
5. our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the Listing Rules prior to the Listing.

The Internal Control Adviser conducted follow-up review on 10 February 2019 on the remediation status of the internal control system and the result is satisfactory. The current internal control system has been properly designed to prevent the recurrence of those historical non-compliance incidents.

Views of our Directors and the Sole Sponsor

Considering (i) the nature, reasons and consequences of the non-compliance incidents; (ii) the rectification measures we have undertaken; (iii) the legal advice from our PRC Legal Advisers; (iv) confirmations from the relevant competent government authorities; (v) the enhanced internal control measures adopted by us; (vi) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors or senior management, and did not raise any question as to the integrity of our executive Directors, our Directors are of the view that the enhanced internal control measures adopted by us are adequate and effective and that these historical non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor concurred with such view of our Directors on the same basis as described above.

PRODUCT LIABILITY AND CUSTOMER COMPLAINTS

We are responsible for the inspection of passenger vehicles, spare parts and accessories when they are delivered to our dealerships. Our authorised dealership agreements provide that we are entitled to exchange motor vehicles with defects upon product inspection during delivery as agreed by the automobile manufacturers.

Most of our dealership agreements do not specify that the automobile manufacturers would bear the product liability after the passenger vehicles are being inspected and accepted by us.

Our PRC Legal Advisers confirm that the product liability for passenger vehicles sold in the PRC is governed by mandatory provisions of the PRC laws and regulations, namely the Product Quality Law (產品質量法) and the 3R Provisions. Under these laws and regulations, any consumer who purchased a defective product may seek compensation from either the manufacturer or the retailer. The retailer may seek reimbursement from the manufacturer where the defect is attributable to the manufacturer unless any agreement between the manufacturer and the retailer provides otherwise. Please refer to the section headed “Regulatory Overview — Product Quality” in this prospectus for more details.

Most of our dealership agreements do not contain explicit provisions regarding the allocation of responsibilities arising out of product liability claims. Nonetheless, we expect to be able to seek and receive reimbursement from automobile manufacturers for most of the claims for repairs, replacements and returns of motor vehicle products from our customers that may arise due to the 3R Provisions.

Our customer services staff are responsible for handling customer relationships. Our Group has adopted a customer complaint policy which governs complaints received by our Group or received by our automobile manufacturers. Our customer services staff shall conduct customer satisfaction review to obtain feedback from our customers. If customers are dissatisfied with our services, we shall invite such customers to fill in a customer complaint form and such customer complaints will be followed up by the head of the customer services department promptly after receipt of the complaint form.

During the Track Record Period, we did not receive any material complaints from our customers.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental Matters

During the provision of our repair services, it would involve the emission of waste gases. On 23 September 2019, we have adopted internal policies in discharge of pollutants, including the procedures for applying for the environmental inspection for the establishment of our 4S dealership outlets, the application of the pollutant discharge permits and ongoing monitoring of discharge of pollutants.

During the Track Record Period, we had not contravened any applicable environmental laws and regulations in material aspects. Our operations are subject to regulations and periodic examinations by local environmental authorities. If we fail to comply with present or future laws and regulations, we will be subject to fines, or cessation of operations. During the Track Record Period, no material administrative sanctions or penalties has been imposed upon us for the violation of

environmental laws or regulations. During the Track Record Period, we have incurred approximately RMB0.8 million for complying the environmental laws and regulations and the expected annual compliance costs would be approximately RMB0.3 million.

Health, Work Safety and Social Matters

We have adopted a system in recording and handling accidents during our repair services. If there is an accident, our employees would report to its supervisors, who will then report to the managers of our repair services and our human resources department. We will also keep record of such accidents. In addition, for we have adopted an occupational safety procedures issued by Zhongshan Motor Vehicle Maintenance Industry Association (中山市機動車維修行業協會).

During the Track Record Period, there is no material accident in the course of our operations, there is no material claim for personal or property damages and no material compensation to our employees.

During the Track Record Period, we had not contravened any applicable work safety laws and regulations in material aspects. Our operations are subject to regulations and periodic examinations by local work safety authorities. If we fail to comply with present or future laws and regulations, we will be subject to fines, or cessation of operations. During the Track Record Period, no material administrative sanctions or penalties has been imposed upon us for the violation of safety laws or regulations. During the Track Record Period, we have not incurred and do not expect to incur material cost in connection with the compliance of safety laws and regulations.

LICENCES, PERMITS AND APPROVALS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all material licences, permits and approvals required for carrying on its business operations in the PRC, details of which are set out below:

Licence	Holder	Licensing/filing authority	Particulars of the licence	Expiry date
Road Transport Licence (道路運輸經營許可證) (Note 1)	New Century Toyota	Zhongshan Transportation Bureau (中山市交通運輸局)	Class I motor vehicle maintenance (small vehicle maintenance)	30 June 2023
	Chuangri Automobile		(一類機動車維修)	30 September 2021
	Chengnan Automobile		(小型車輛維修)	30 September 2022
	Chuangtong Automobile			30 September 2023
	Dongyue Automobile		Class II motor vehicle maintenance (small vehicle maintenance)	30 September 2019
	Chuangzhi Automobile		(二類機動車維修)	30 June 2021
	Chuangcheng Automobile		(小型車輛維修)	30 September 2023
	Mingcheng Automobile		Class III motor vehicle maintenance	31 March 2023
	Fast Lane Services		(vehicle maintenance)	31 March 2021
			(三類機動車維修(車身維修))	

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Licence	Holder	Licensing/filing authority	Particulars of the licence	Expiry date
Second hand automobile sales market record-filing (二手車交易市場經營者備案)	Chuangcheng Automobile New Century Second hand car	Guangdong Provincial Department of Commerce (廣東省商務廳)	Second hand sales of motor vehicles record-filing	N/A
Operating insurance agency licence (經營保險代理業務許可證)	Chuangcheng Insurance	China Insurance Regulatory Commission Guangdong Regulatory Authority (中國保監會)	The sales of insurance products in the administrative jurisdiction of Guangdong Province; (代理銷售保險產品)	4 June 2021
National Automobile Information Management System (全國汽車流通信息管理系統備案)	(1) Century Sale Services (2) New Century Toyota (3) Chuangxian Automobile (4) Dongri Sale Services (5) Jucheng Automobile (6) Chuangri Automobile (7) Chengnan Automobile (8) Chuangtong Automobile (9) Dongyue Automobile (10) Chuangzhi Automobile (11) Chuangcheng Automobile (12) Mingcheng Automobile (13) Century Jaguar (14) Century Cadillac (15) New Century Second-hand Car	MOFCOM	N/A	N/A

Notes:

1. As the Zhongshan Transportation Bureau shall not issue new road transport licence pursuant to the State Council promulgated the Decision of the State Council on Canceling a Batch of Administrative Licensing Items (國務院關於取消一批行政許可等事項的決定) promulgated on 28 July 2018, as advised by our PRC Legal Advisers, upon expiry of existing road transport licence, our Group will no longer be required to obtain new road transport licences (or equivalent licences) for conducting maintenance and repair of motor vehicles business, but will subject to record-filing requirements. We have obtained confirmation from the relevant Transportation Department as at the Latest Practicable Date, since the relevant policies and procedures in relation to the record-filing systems have not been promulgated by the relevant authorities, our Group may conduct the record-filing after the relevant policies and procedures promulgate. Our Directors have undertaken that our Group will keep ourselves updated with regard to all relevant regulatory developments and comply with the record-filing requirement as soon as practicable once the relevant policies and procedures promulgated by the relevant authorities. As such, our Directors are of the view that the cancellation of the administrative approval for maintenance and repair of motor vehicles business will not have material adverse impact on our Group's repair services business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), Chong Kit will hold 75.0% of the enlarged issued share capital of our Company. Chong Kit is held as to 100.0% by Mr. Law, and thus Mr. Law and Chong Kit will continue to be our Controlling Shareholders upon Listing. For details of our Controlling Shareholders' background, please refer to the sections headed "Directors and Senior Management" in this prospectus.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Our Directors, including our independent non-executive Directors, confirm that, as at the Latest Practicable Date, none of our Controlling Shareholders or any of their respective close associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business.

The principal business carried out by Mr. Law is our Group. The Excluded Group which are held by Mr. Law, includes the following companies:

(a) Zhongshan New Century and Dongri Automobile

Zhongshan New Century and Dongri Automobile, after the corporate division, are both investment holding companies.

Accordingly, for the purpose of the preparation of historical financial information of our Group, regarding the allocation of (i) operating expenses, (a) only depreciation expense of the leased properties which leased to our Group are allocated to the statement of profit or loss of Zhongshan New Century and Dongri Automobile; (b) as Zhongshan New Century and Dongri Automobile did not hire employees specifically handled the rental collection of the leased properties to our Group, there is no employee benefit expenses allocated to Zhongshan New Century and Dongri Automobile and (ii) finance costs, no bank borrowing made by Zhongshan New Century and Dongri Automobile in relation to the leased properties to our Group, therefore there is no finance cost allocated to Zhongshan New Century and Dongri Automobile.

During the Track Record Period, Zhongshan New Century and Dongri Automobile had no revenue and incurred an aggregated net loss of approximately RMB3.7 million, RMB3.3 million, RMB1.7 million and RMB2.5 million for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively, which mainly represented depreciation and administrative expenses.

(b) New Century Car Rental

New Century Car Rental engages in car rental business.

The target customers of our Group are clients who would purchase vehicles (for sales of new vehicles and used vehicles) and vehicle owners (for repair and insurance services). On the other hand, the target customers of New Century Car Rental mainly include (i) those family and individual clients which have temporary driving needs (such as for business or leisure travel) but not planning to own their vehicles; and (ii) customers with long-term car rental

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

needs but not planning to own their vehicles, e.g. drivers offering online ride-hailing services. As such, our Company considered there would be little overlapping of the clientele of our Group and New Century Car Rental and New Century Car Rental does not compete with the same group of customers. In order to mitigate any potential competition, New Century Car Rental will conduct a questionnaire with its new clients to enquire whether such new client would consider to purchase passenger vehicles, if so, New Century Car Rental would refer the new client to our Group in accordance with the Deed of Non-Competition.

During the Track Record Period, New Century Car Rental kept their separate accounting books and financial statements and their financial statements would be easily separated from that of our Group. During the Track Record Period, New Century Car Rental generated approximately RMB1.1 million, RMB1.9 million, RMB5.0 million and RMB3.7 million of revenue and approximately RMB0.3 million, RMB0.3 million, RMB(0.01) million and RMB(0.01) million of profit/(loss) for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively.

(c) Huichuang Financial Leasing

Huichuang Financial Leasing did not commence any business until March 2019 and since then carries on financial leasing, rental and rental consultancy business in the PRC, which are financial services and are different from our Group's business. As such, Huichuang Financial Leasing did not generate any revenue and profit for each of the three years ended 31 December 2018.

In light of the above, our Directors are of the view that there is no material competition between the businesses of our Group and the Excluded Group and any potential competition can be minimised and well managed.

As confirmed by our PRC Legal Advisers, during the Track Record Period, save as disclosed in the section headed "Business — Legal Proceedings and Regulatory Compliances", the Excluded Group did not involve in any material non-compliances.

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders and the Excluded Group due to the reasons set out in this section.

MANAGEMENT INDEPENDENCE

Our Board comprises six Directors including three executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, none of our Directors and senior management is a director or hold any senior management role of the Excluded Group.

Our Directors are of the view that our Group will be able to operate independently of our Controlling Shareholders and the Excluded Group upon Listing for the following reasons:

1. our Board comprises six Directors, none of them will have ongoing roles with, and are therefore independent from the Excluded Group upon Listing;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

2. our independent non-executive directors constitute half of the Board, that is, more than one-third of the Board which is the minimum threshold required under the Listing Rules and all three independent non-executive Directors do not, and will not, have any ongoing role with the Excluded Group and accordingly, the independent non-executive Directors can exercise independent judgment free from any conflict of interest;
3. continuing connected transactions between our Group (on the one hand) and the Excluded Group (on the other hand) have been identified and the parties will comply with the applicable requirements of the Listing Rules governing continuing connected transactions. For details of these continuing connected transactions, please refer to the section headed “Connected Transactions” in this prospectus;
4. we have adopted a number of corporate governance measures in order to manage any potential conflict of interests which may arise between our Group (on the one hand) and the Excluded Group (on the other hand) as to safeguard the interests of our independent Shareholders, the details of which are set out in “Corporate Governance Measures” below; and
5. each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interest of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director.

FINANCIAL INDEPENDENCE

During the Track Record Period, there were certain amount due from and due to our Controlling Shareholders and their respective close associates, details of which are set out in note 30 to the Accountants’ Report in Appendix I to this prospectus. Amounts due from our Controlling Shareholders and their respective close associates as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 which are: (a) non-trade in nature amounted to nil, nil, approximately RMB19.6 million and RMB24.8 million; and (b) trade in nature amounted to nil, nil, nil and approximately RMB1.7 million, respectively. Such amounts mainly reflected advances made by our Group to New Century Car Rental and Huichuang Financial Leasing to fund its working capital needs and amount due from Zhongshan New Century arising from the corporate division of Dongri Automobile. All such non-trade amounts mentioned above will be settled before Listing.

Amounts due to Mr. Law who is both our Controlling Shareholder and Director amounted to approximately RMB121.8 million, RMB192.8 million, RMB159.8 million, RMB31.0 million and RMB31.0 million as at 31 December 2016, 31 December 2017, 31 December 2018, 30 April 2019 and 31 July 2019, respectively. Such amounts were due to Mr. Law and in which RMB30.0 million will be waived by Mr. Law before Listing and the remaining amount will be settled before Listing.

Our Directors confirm that our Group will not rely on our Controlling Shareholders for financing after the Listing as our Group expects that its working capital will be funded by cash flow from operations, banking facilities and the estimated net proceeds from the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

To secure certain banking facilities and/or bank loans granted to our subsidiaries, our Controlling Shareholders and their respective close associates have entered into the following security documents:

- (a) legal charge over certain properties owned by Zhongshan New Century; and
- (b) deed of guarantee provided by Mr. Law.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, our Controlling Shareholder, Mr. Law, provided guarantees to certain subsidiaries of our Group in respect of banking facilities of RMB60.5 million, RMB26.0 million, RMB54.0 million and RMB45.0 million, respectively. The securities mentioned above shall be released upon Listing and either (i) will be replaced by corporate guarantees provided by our Company; or (ii) the loans subject to the securities will be repaid by other loans secured by our Group.

Upon Listing, our Group will conduct certain connected transactions with the Excluded Group, details of which are set out in the section headed “Connected Transactions” in this prospectus. Save as the balance arising from such connected transactions, there will be no payment or receipt to or from the Excluded Group upon Listing.

Accordingly, our Directors are of the view that we will be financially independent of our Controlling Shareholders and the Excluded Group upon Listing.

OPERATIONAL INDEPENDENCE

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- 1. our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- 2. our Company has its own finance department and human resources administrative departments);
- 3. other than the 16 leased properties which are leased from the Excluded Group, all of the properties used as our principal place of business and 4S dealership outlets are owned by us or are leased from Independent Third Parties;
- 4. upon Listing, we will only conduct connected sales of motor vehicles whose transaction amount for each of the three years ending 31 December 2021 is expected to be amount to less than 4.90% of our revenue for the year ended 31 December 2018 (details of which are set out in the section headed “Connected Transactions” in this prospectus), and our Company does not rely on our Controlling Shareholders for access to suppliers and customers. Our customers are predominantly members of the public, to whom we have independent access; and
- 5. our Company has established a set of internal control procedures to facilitate the effective operation of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

From time to time, our Group, as lessee, has leased from the Excluded Group properties (including land and buildings to be used as shops, office, storage and parking spaces) to meet the daily operation needs of our Group. Our Directors are of the view that we do not rely on the Excluded Group based on the reasons that:

- (a) historically, we were able to lease numerous suitable land and properties for our operations from Independent Third Parties. Currently, we have 10 leased properties on which our 4S dealership outlets are situated whose lessors are Independent Third Parties with lease terms ranging from two to 30 years;
- (b) the estimated Notional Rent, which is calculated based on (i) the fair rent of leased properties in 2019 as set out in the section headed “Connected transactions” in this prospectus as advised by Jones Lang LaSalle Corporate Appraisal and Advisory Limited for all of the properties leased from our Controlling Shareholders by assuming the annual rent growth rate of Zhongshan during the Track Record Period of approximately 5%; and (ii) deducting the rental expenses incurred by our Group during the Track Record Period, would only account for approximately 0.3%, 0.3%, 0.2% and 0.8% of our revenue for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 if our Group paid rent to the Excluded Group.; and
- (c) from time to time, we have been able to identify various properties that meet our then criteria for our intended use.

Based on the above, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders and the Excluded Group.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, certain members of the Excluded Group entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 30 to the Accountants’ Report set out as Appendix I to this prospectus. Such transactions, if continued upon the Listing, will constitute continuing connected transactions of our Company under the Listing Rules. Please refer to the section headed “Connected Transactions” in this prospectus for more details of the transactions contemplated under the Property Leasing Framework Agreement, the Vehicle Sale and Purchase Framework Agreement and the Referral Agreement.

We expect that one or more of the applicable percentage ratios (other than the profit ratio) calculated on an annual basis in accordance with Rule 14A.77 of the Listing Rules for: (a) the Property Leasing Framework Agreement will be more than 0.1% but are all less than 5%; and (b) the Vehicle Sale and Purchase Framework Agreement will be more than 5%. Therefore, (i) the transactions contemplated under the Property Leasing Framework Agreement will be subject to reporting, announcement and annual review requirements and exempt from the requirement of independent Shareholders’ approval; and (ii) the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement will be subject to reporting, announcement, annual review and independent Shareholders’ approval requirements.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

In order to eliminate any future competing business with our Group, on 23 September 2019, each of Mr. Law and Chong Kit (the “**Covenantors**”, each a “**Covenantor**”) entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustees for each of our subsidiaries).

Pursuant to the Deed of Non-Competition, each of the Covenantors has undertaken to our Company (for ourselves and as trustees for each of our subsidiaries), that at any time during the Restricted Period (as defined below), it/he shall, and shall procure its/his close associates and/or companies controlled by it/him (other than members of our Group):

- (a) not, directly or indirectly, either on its/his own account or in conjunction with or on behalf of any person, firm, company or organisation, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise), in any business which competes with the business of (i) sales of motor vehicles (both new vehicles and used vehicles), and other integrated auto services which primarily consist of (ii) repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services); (iii) the sales of accessories; (iv) insurance agency services; and (v) other value-added services, and any business which is or may be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the “**Restricted Business**”) within Zhongshan within the Guangdong province of the PRC and any parts of the world where our Group or any member of our Group conducts its business (the “**Territory**”);
- (b) not interfere with or endeavor to entice away from our Group any firm, company or organisation who to its/his knowledge is from time to time or has at any time within the immediate past two years before the date of the prospectus been a customer or supplier of our Group;
- (c) not at any time employ any person who has been a director, manager or employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to our Group’s business without prior written consent from our Company;
- (d) not directly or indirectly solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group; and
- (e) not disclose any confidential information of our Group in its/his possession to any third party or our Group’s competitors unless such disclosure (i) is made to professional advisers on a confidential basis; (ii) is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations or pursuant to any court orders; or (iii) is already in public domain or which become so through no fault or breach of the Covenantors, and that before making any disclosure, the Covenantors shall inform and consult our Group as to the form and substance of such disclosure.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of the Covenantors has also undertaken to our Company the following:

- (a) to provide our Group and our Directors (including our independent non-executive Directors) all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition, and to make an annual declaration on compliance with its/his undertaking under the Deed of Non-Competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules;
- (b) to indemnify and keep indemnified our Company and any members of our Group against any loss or liability suffered by our Company or any members of our Group (as relevant) arising out of or in connection with any breach of any of its/his obligations or undertakings thereunder, including any costs and expenses (including legal expenses) incurred as a result of such breach provided that the indemnity shall be without prejudice to any of the other rights and remedies of our Company or any members of our Group in relation to any such breach;
- (c) to procure that each of its/his close associates and/or companies controlled by it/him (other than members of our Group) will not take advantage of its/his connections with our Group and/or the shareholders of our Company, or its/his position as a shareholder of our Company, to participate or be engaged in any activities which may be detrimental to the interests of our Group and the other shareholders of our Company;
- (d) in the event that it/him or its/his close associates and/or companies controlled by it/him (other than members of our Group) (the “**Offeror**”) is given or identified or offered any business investment or commercial opportunity by independent third parties and such investment or opportunity directly or indirectly competes, or may lead to competition with the Restricted Business (the “**New Opportunities**”), it/he will and will procure its/his close associates and/or companies controlled by it/him (other than members of our Group) to refer the New Opportunities to our Company as soon as practicable in the following manner:
 - (i) each of the Covenantors is required to, and shall procure its/his close associates and/or companies controlled by it/him (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice to our Company of any New Opportunities containing information available to the relevant Covenantor for our Company to consider whether (1) such New Opportunities would constitute competition with the Restricted Business; and (2) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “**Offer Notice**”); and
 - (ii) the Offeror will be entitled to pursue the New Opportunities only if (1) the Offeror has received a notice from our Company declining the New Opportunities; or (2) the Offeror has not received such notice from our Company within one month from our Company’s receipt of the Offer Notice.

If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to our Company in the manner as set out above.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Upon receipt of the Offer Notice, we will form an independent board committee (the “**Independent Board Committee**”) which comprises our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from the Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Business; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

Where any of the Covenantor, its/his close associates and/or companies controlled by it/him (other than members of our Group) have acquired any business investment or interest in any entity relating to the Restricted Business pursuant to sub-paragraph (d)(ii) above and intend to sell such business investment or interest, the relevant Covenantor, its/his close associates and/or companies controlled by it/him (other than members of our Group) shall provide our Group with a written notice (the “**Pre-emptive Right Notice**”) notifying our Company its pre-emptive right (the “**Pre-emptive Right**”) to acquire any such Restricted Business with an expiry date being the following business day after one month from our Company’s receipt of the Pre-emptive Right Notice. Where (i) the Independent Board Committee decides to waive the Pre-emptive Right by way of written notice within one month from our Company’s receipt of the Pre-emptive Right Notice or (ii) the relevant Covenantor or its/his close associates and/or companies controlled by it/him (other than members of our Group) (as the case may be) has not received from our Company its confirmation of exercise of the Pre-emptive Right Notice, the relevant Covenantor, its/his close associates and/or companies controlled by it/him (other than members of our Group) may offer to sell such business, investment or interest in the Restricted Business to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose of the Deed of Non-Competition, the “**Restricted Period**” means the period from the Listing Date until the earlier of:

- (a) the relevant Covenantor, its/his close associates and/or companies controlled by it/him, individually or taken as a whole, cease to be our Controlling Shareholders of our Company for the purpose of the Listing rules; and
- (b) the Shares cease to be listed on the Stock Exchange.

The Deed of Non-Competition does not apply to:

- 1. any interests in the shares of any member of our Group since the business of such member is not in competition with our Group; or
- 2. interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Covenantor and/or its/his close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenantor and its/his close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

In order to manage any potential conflict of interests arising between our Group (on the one hand) and the Excluded Group (on the other hand) as well as to safeguard the interests of our independent Shareholders, we have adopted the following measures:

1. a staff in our finance department will be assigned to monitor our continuing connected transactions contemplated under the Property Leasing Framework Agreement, the Vehicle Sale and Purchase Framework Agreement and the Referral Agreement on a monthly basis and prepare a summary report with detailed information of the transactions including the transaction date, the amount for each transaction and percentage of accumulated amount for all transactions to the relevant proposed annual caps. Our management will determine whether an announcement in relation to continuing connected transactions shall be published;
2. Mr. Law, our Controlling Shareholder who is a shareholder of the Excluded Group, will abstain from voting in respect of the relevant matter involving a conflict or potential conflict of interest relating to that matter and will not be counted in the quorum of the relevant Board meeting to consider that matter;
3. under the Articles, a Director who to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall, if his/her interest in the contract or proposed contract or arrangement is material, declare the nature of his/her interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration if he/she knows his/her interest then exists, or in any other case, at the first meeting of our Board after he/she knows that he/she is or has become so interested. Although the Articles do not require a Director who is so interested not to attend any meeting of our Board, such Director is prohibited from voting (and will not be counted in the quorum) in respect of any Board resolution approving any contract or arrangement or proposed contract or arrangement in which he/she or any of his/her close associates is materially interested, except in certain prescribed circumstances, details of which are set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix III to this prospectus. The provisions in the Articles ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of our Company and our Shareholders (including our independent Shareholders) taken as a whole;
4. each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she act for the benefit of our Company and our Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests; and
5. we have appointed Fortune Financial Capital Limited as our compliance adviser upon Listing, who will provide advice and guidance to us with respect to compliance with the applicable laws and regulations, in particular the Listing Rules.

CONNECTED TRANSACTIONS

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into transactions with certain connected persons of our Company. Upon Listing, certain members of our Group will continue to have transactions with connected persons of our Company and these transactions will constitute continuing connected transactions of our Company pursuant to the Listing Rules.

A summary of the continuing connected transactions is set out below:

Name of the agreement	Parties	Background of counterparties
1. Referral Agreement (as defined below)	(1) Our Company (for itself and on behalf of its subsidiaries) as referrer; and (2) Huichuang Financial Leasing as referee	Huichuang Financial Leasing is a limited liability company established in the PRC. As at the Latest Practicable Date, it was indirectly wholly owned by Mr. Law through Zhongshan New Century.
2. Vehicle Sale and Purchase Framework Agreement (as defined below)	(1) Our Company (for itself and on behalf of its subsidiaries) as vendor; and (2) New Century Car Rental as purchaser	New Century Car Rental is a limited liability company established in the PRC. As at the Latest Practicable Date, it was indirectly wholly owned by Mr. Law through Zhongshan New Century and Dongri Automobile who held 70% and 30% of its equity interests respectively.
3. Property Leasing Framework Agreement (as defined below)	(1) Our Company (for itself and on behalf of its subsidiaries) as lessee; and (2) Zhongshan New Century (for itself and on behalf of its subsidiaries) as lessor	Zhongshan New Century is a limited liability company established in the PRC. As at the Latest Practicable Date, it was wholly owned by Mr. Law.

CONNECTED TRANSACTIONS

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Zhongshan New Century, New Century Car Rental and Huichuang Financial Leasing are all over 30% controlled by Mr. Law who is our Director and our Controlling Shareholder. Accordingly, they are associates of Mr. Law and connected persons of our Company for the purpose of the Listing Rules and the transactions under each of the Property Leasing Framework Agreement, the Vehicle Sale and Purchase Framework Agreement and the Referral Agreement are continuing connected transactions for the purpose of the Listing Rules.

The payments under the relevant individual agreements or individual transactions which will be entered into during the term under each of the Property Leasing Framework Agreement, the Vehicle Sale and Purchase Framework Agreement and the Referral Agreement, are required to be aggregated under Rule 14A.81 of the Listing Rules. We expect that one or more of the applicable percentage ratios (other than the profit ratio) calculated on an annual basis in accordance with Rule 14A.77 of the Listing Rules for: (a) the Property Leasing Framework Agreement will be more than 0.1% but are all less than 5%; (b) the Vehicle Sale and Purchase Framework Agreement will be more than 5%. Therefore, (i) the transactions contemplated under the Property Leasing Framework Agreement will be subject to reporting, announcement and annual review requirements and exempt from the requirement of independent Shareholders' approval; and (ii) the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement will be subject to reporting, announcement, annual review and independent Shareholders' approval requirements.

As each of the applicable percentage ratios (other than the profits ratio) for the Referral Agreement is less than 5% on an annual basis and the total consideration for each of them is less than HK\$3,000,000, the transactions under the Referral Agreement are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

FULLY EXEMPTED CONNECTED TRANSACTIONS

1. Referral Agreement

Reason for entering into the agreement

Huichuang Financial Leasing did not commence any business until March 2019. It intends to carry on financial leasing, rental and rental consultancy business in the PRC.

From time to time, we refer customers or potential customers who wish to arrange vehicle financing to third party financiers and charge the financiers referral fees. Once Huichuang Financial Leasing commences its business operation, we may refer customers or potential customers to Huichuang Financial Leasing who require financial leasing services. On 23 September 2019, our Company (for itself and on behalf of its subsidiaries) and Huichuang Financial Leasing entered into a referral agreement (the "**Referral Agreement**") pursuant to which our Company agrees to refer and to procure that our Group refers customers or potential customers who require financial leasing service to Huichuang Financial Leasing on a best efforts basis from time to time during the term of the Referral Agreement.

Our Directors consider that the referral fees receivable under the Referral Agreement would serve as an ancillary income for our Group and it would be beneficial to our Group.

CONNECTED TRANSACTIONS

Principal terms of the Referral Agreement

The principal terms of the Referral Agreement are as follows:

Date:	23 September 2019
Parties:	(1) Our Company (for itself and on behalf of its subsidiaries) as referrer (2) Huichuang Financial Leasing as referee
Term:	Initial period from the date of the Listing up to 31 December 2021. Unless the Referral Agreement is terminated earlier, the agreement shall be automatically renewed for additional terms of three years (or such other period permitted under the Listing Rules) subject to the requirements under the Listing Rules.
Referral services:	Our Company agrees to refer and to procure that our Group refers customers or potential customers to Huichuang Financial Leasing on a best efforts basis from time to time during the term of the Referral Agreement for a commission for each referral (the “ Referral Fee ”).
Referral fee:	Please refer to the paragraph headed “Pricing standard” below for details of the Referral Fee determination criteria.

Pricing Standard

The Referral Fee shall be calculated with reference to the following factors:

- (a) the principal amount of a financial leasing loan granted by Huichuang Financial Leasing to a customer;
- (b) the term of a financial leasing loan granted by Huichuang Financial Leasing to a customer;
- (c) the terms and conditions of other referral arrangements (including the amount of referral fees) that our Group has had with independent financiers from time to time; and
- (d) prevailing market conditions.

For the three years ending 31 December 2021, the amount of Referral Fee shall be charged at the prevailing rate of the principal amount of a financial leasing loan granted by Huichuang Financial Leasing to a customer.

The parties to the Referral Agreement acknowledge that the terms of this Agreement are negotiated by the parties on an arm’s length basis, on normal commercial terms and fair and reasonable, taking into account the terms of other referral arrangements (including the amount of referral fees) that our Group has had with financiers which are Independent Third Parties.

CONNECTED TRANSACTIONS

Historical transaction amounts

Huichuang Financial Leasing did not commence any business until March 2019. There were no historical referral fees for each of the three years ended 31 December 2018 and the four months ended 30 April 2019.

Proposed annual caps and their basis

The annual caps of the Referral Fee under the Referral Agreement for the three years ending 31 December 2021 are as follows:

	Annual Cap		
	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Referral Agreement	800	800	800

The annual caps for each of the years 2019, 2020 and 2021 are based on (i) the principal amount of a financial leasing loan granted by Huichuang Financial Leasing to a customer and the estimated increase in such principal amount; and (ii) the Referral Fee charged at a percentage of the principal amount of a financial leasing loan granted by Huichuang Financial Leasing to a customer.

Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Referral Agreement are in the ordinary and usual course of business of our Group and their respective terms are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the transactions under each of the fully exempt connected transactions are fair and reasonable and in interest of our Company and our Shareholders as a whole.

As Mr. Law, our Director have a material interest in the continuing connected transactions in respect of the Referral Agreement, he has abstained from voting on the board resolutions approving the same.

NON-EXEMPT CONNECTED TRANSACTION

2. Vehicle Sale and Purchase Framework Agreement

Reason for entering into the framework agreement

New Century Car Rental engages in car rental business in Zhongshan. From time to time, New Century Car Rental will purchase passenger vehicles which our Group is authorised to sell by the automobile manufacturers of such vehicles (the “**Vehicles**”) from our Group as its operation requires so as to having sufficient vehicles for car rental. On 23 September 2019, our Company (for itself and on behalf of its subsidiaries) and New Century Car Rental entered into

CONNECTED TRANSACTIONS

a framework agreement (the “**Vehicle Sale and Purchase Framework Agreement**”) that governs the overall relationship of the parties in relation to the individual purchase orders which will be placed during the term of the Vehicle Sale and Purchase Framework Agreement.

Our Directors consider that the payments receivable under the Vehicle Sale and Purchase Framework Agreement would serve as an ancillary income for our Group and it would be beneficial to our Group.

Principal terms of the Vehicle Sale and Purchase Framework Agreement

The principal terms of the Vehicle Sale and Purchase Framework Agreement are as follows:

Date:	23 September 2019
Parties:	(1) Our Company (for itself and on behalf of its subsidiaries) as vendor (2) New Century Car Rental as purchaser
Term:	Initial period from the date of the Listing up to 31 December 2021. Unless the Vehicle Sale and Purchase Framework Agreement is terminated earlier, the agreement shall be automatically renewed for additional terms of three years (or such other period permitted under the Listing Rules) subject to the requirements under the Listing Rules.
Subject matter:	From time to time, our Group agrees to sell and New Century Car Rental agrees to purchase the Vehicles from our Group. Members of our Group and New Century Car Rental shall enter into separate agreements or New Century Car Rental will place purchase orders with our Group (“ Individual Sale Orders ”) which shall set out the price and quantity of the Vehicles under each order and shall be subject to the terms and conditions under the Vehicle Sale and Purchase Framework Agreement and the annual caps thereunder. Each Individual Sale Order shall be on normal commercial terms (or on the terms no less favourable to our Group than terms available to or from Independent Third Parties) and the terms of each Individual Sale Order shall be reasonable.
Consideration:	The consideration payable by New Century Car Rental to our Group of each order (the “ Consideration ”) will be set out in the Individual Sale Orders subject to the terms and conditions of the Vehicle Sale and Purchase Framework Agreements. Please refer to the paragraph headed “Pricing standard” below for details of the consideration determination criteria.

CONNECTED TRANSACTIONS

Pricing Standard

The Consideration shall be determined with reference to, among other things, the following factors:

1. the unit retail prices of the Vehicles being the subject of the Individual Sale Order as suggested by the automobile manufacturer of such Vehicles;
2. the prevailing market prices of the Vehicles being the subject of the Individual Sale Order;
3. the unit retail prices of vehicles comparable to the Vehicles in terms of brand and model which are sold by our Group to Independent Third Parties; and
4. the number of Vehicles ordered by New Century Car Rental.

Historical transaction amounts

The historical transaction amount of Vehicles sold by our Group to New Century Car Rental in the course of its ordinary business during the Track Record Period are set out below:

	Historical transaction amount (approximately)			
	For the year ended	For the year ended	For the year ended	For the four months
	31 December 2016	31 December 2017	31 December 2018	ended 30 April 2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Vehicles sold by our Group to New Century Car Rental	633	2,344	2,680	17,465

CONNECTED TRANSACTIONS

Proposed annual caps and their bases

The Consideration under the Individual Sale Orders which will be entered into during the term of the Vehicle Sale and Purchase Framework Agreement shall be aggregated on an annual basis for the purpose of annual caps determination. New Century Car Rental principally engages in car rental business with two major groups of target customers: (i) customers with temporary driving needs, e.g. family and individual clients for business or leisure travel, which gives rise to short-term car rental demand and (ii) customers with long-term car rental needs, e.g. drivers offering online ride-hailing services, both of whom do not plan to own their vehicles. The annual caps of the Consideration in respect of the sale and purchase of Vehicles between our Group and New Century Car Rental under the Vehicle Sale and Purchase Framework Agreement for the three years ending 31 December 2021, taking into account both Consideration in meeting the short-term and long-term car rental demand, are as follows:

	For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)	For the year ending 31 December 2021 (RMB'000)
Vehicle Sale and Purchase Framework Agreement			
— Consideration in meeting short-term car rental demand	1,800	1,800	1,800
— Consideration in meeting long-term car rental demand	58,200	93,200	93,200
	60,000	95,000	95,000

The proposed annual caps under the Vehicle Sale and Purchase Agreement are derived from the following bases:

(i) Consideration in meeting short-term car rental demand

In arriving at the proposed annual caps in relation to the Consideration with respect to meeting customers' short-term car rental needs for each of the years ending 31 December 2019, 2020 and 2021, we have considered the estimated amount of Consideration under the Individual Sale Orders for each of the three years ending 31 December 2021, taking into account; (i) the estimated unit selling prices of the Vehicles; (ii) the historical transaction amount of Vehicles sold to New Century Car Rental during the Track Record Period; and (iii) the estimated change in annual purchase volume of Vehicles by New Century Car Rental which is determined with reference to the expected demand in the car rental market in Zhongshan and prevailing market conditions.

(ii) Consideration in meeting long-term car rental demand

Starting from the second quarter of 2019, New Century Car Rental experienced a significant increase in the number of cars rented to the drivers engaging in online ride-hailing services. To the best knowledge of our Directors, such spike of demand was mainly due to (i) companies which offer online ride-hailing services have taken actions to ensure that qualified vehicle (details of which are discussed below) is used by their drivers after

the promulgation of the relevant rules and regulations which applied more stringent quality control on the industry players; and (ii) our Group has the capability to provide a large number of vehicles, in particular for one of the popular models under FAW Toyota which meets the specific requirements of the vehicle qualification under the relevant rules and regulations.

According to the Provisional Measures for Administration of Online Ride-hailing Services (網路預約出租汽車經營服務管理暫行辦法) (the “**ORH Provisional Measures**”), which was promulgated by seven departments including the Ministry of Transport jointly on 27 July 2016 and became effective on 1 November 2016, vehicles to be used for online ride-hailing business (“**ORH Vehicle(s)**”) shall meet the following conditions: (1) passenger vehicles with 7 seats or less; (2) equipped with the vehicle satellite positioning device and emergency alarm device with the driving recording function; and (3) the technical performance of the vehicles meets the requirements of relevant standards for operation safety. Under the ORH Provisional Measures, the competent administrative department in charge of ORH Vehicles shall build and improve the government supervision platform and realise information sharing with the online ride-hailing platform. In May 2017, the Government of Zhongshan (中山市人民政府) issued the implementation rules for online ride-hailing operation services in Zhongshan (中山市網絡預約出租汽車經營服務管理實施細則(暫行)) (the “**ORH Implementation Rules**”) to specify the requirements on ORH Vehicles in Zhongshan. As advised by the PRC Legal Advisers, under the ORH Implementation Rules, an ORH Vehicle is required to be a vehicle of seven (7) seats or below with a vehicle license registered with the Government of Zhongshan, being purchased or valued (depending on the year(s) of usage registered under the vehicle license) at no less than RMB130,000.

In view of the above, our Directors determine the proposed annual caps in relation to the Consideration with respect to meeting customers’ long-term car rental demand for each of the three years ending 31 December 2021 by taking into account: (i) the estimated unit selling prices of the Vehicles; (ii) the historical transaction amount of Vehicles sold to New Century Car Rental during the first half of 2019; (iii) the number of Vehicles rented out from New Century Car Rental during the first half of 2019; and (iv) the estimated demand for each of the year ending 31 December 2019, 2020 and 2021.

3. Property Leasing Framework Agreement

Reason for entering into the framework agreement

From time to time, the Excluded Group has leased and will lease property (including land and buildings to be used as shops, office, storage and parking spaces) to our Group to meet our daily operation needs. On 23 September 2019, our Company (for itself and on behalf of its subsidiaries) and Zhongshan New Century (for itself and on behalf of its subsidiaries) entered into a framework agreement (the “**Property Leasing Framework Agreement**”) that governs the overall relationship of the parties in relation to the individual lease agreements which are in effect or will be entered into during the term of the Property Leasing Framework Agreement.

CONNECTED TRANSACTIONS

Our Directors consider that entering into the Property Leasing Framework Agreement and the transactions contemplated thereunder to be beneficial to our Group due to the following reasons:

1. The rentals paid or payable under the Property Leasing Framework Agreement are negotiated on an arm's length basis and on normal commercial terms. Our Controlling Shareholders have offered fair and reasonable terms no less favourable to those offered by Independent Third Parties to us in view of the number of leases we are willing to enter into at the same time;
2. Acquisition of the properties being the subject of these transactions from our Controlling Shareholders would involve substantial outlay and thus have a material adverse impact on our financial position. By entering into the Property Leasing Framework Agreement and the transactions contemplated thereunder, we could reallocate our resources to implement our strategies. Please refer to the section headed "Business — Our strategies" in this prospectus for more details;
3. We have been engaging our operations on the properties owned by the Excluded Group. Given that the lessor is our Controlling Shareholder, our Directors considers that entering into the Property Leasing Framework Agreement would reduce the risk of non-renewal of the leases and maintain the stability of our operations; and
4. By entering into the Property Leasing Framework Agreement, our Group enjoys the flexibility to relocate to other properties and to terminate the lease at any time should it consider the properties leased pursuant to the Property Leasing Framework Agreement no longer suitable for our Group's use or is no longer cost competitive.

CONNECTED TRANSACTIONS

Principal terms of the Property Leasing Framework Agreement

A summary of the principal terms of the Property Leasing Framework Agreement is set out as follows:

Date:	23 September 2019
Parties:	(1) Our Company (for itself and on behalf of its subsidiaries) as lessee (2) Zhongshan New Century (for itself and on behalf of its subsidiaries) as lessor
Term:	Initial period from the date of the Listing up to 31 December 2021. Unless the Property Leasing Framework Agreement is terminated earlier, the agreement shall be automatically renewed for additional terms of three years (or such other period permitted under the Listing Rules) subject to the requirements under the Listing Rules.
Leasing target:	<p>From time to time, the Excluded Group has leased and will lease property (including land and buildings to be used as shops, office, storage and parking spaces) to our Group to meet the daily operation needs of our Group.</p> <p>Members of our Group and the Excluded Group shall enter into separate agreements (the “Individual Lease Agreements”) in relation to the lease of property by the Excluded Group to our Group, which shall be in conformity with the terms and conditions under the Property Leasing Framework Agreement and the annual caps thereunder. Each Individual Lease Agreement shall be on normal commercial terms (or on the terms no less favourable to our Group than terms available to or from Independent Third Parties) and the terms of each Individual Lease Agreement shall be reasonable.</p>
Rentals:	<p>The rentals under each Individual Lease Agreement shall be determined with reference to the prevailing market rates of properties in the same area which are comparable to the property being the subject of each Individual Lease Agreement.</p> <p>Please refer to the paragraph headed “Pricing Standard” below for more details of the rental determination process.</p>

Pricing Standard

The terms of an Individual Lease Agreement have been and will be negotiated by the parties on an arm’s length basis. In determining whether the terms of an Individual Lease Agreement and the rentals paid or payable by our Group under each Individual Lease

CONNECTED TRANSACTIONS

Agreement are on normal commercial terms and reasonable, our Group has taken into account the opinion of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which is an independent property valuer engaged by our Group (the “**Property Valuer**”).

The Property Valuer has issued the fair rent letters on 23 September 2019 (the “**Fair Rent Letters**”) in support of the market rates of properties being the subject of the Individual Lease Agreements as assessed by the Property Valuer.

As stated in the Fair Rent Letters, having considered the terms of the Individual Lease Agreements, the Property Valuer is of the opinion that the rental fees payable by the lessees under the Individual Lease Agreements are fair, reasonable and no less favourable to the lessees than those offered by Independent Third Parties. With respect to the fair rent assessment, the Property Valuer has adopted the comparison approach with reference to comparable market rental transactions in their assessment of the market rent of a property.

In addition to the prevailing market rates of the properties as mentioned above, we have also taken into account the actual floor area of each of the leased premises in the rental determination process.

Rentals under the Individual Lease Agreements shall be payable on a quarterly basis. It shall comprise basic rent determined with reference to the prevailing market rates and the actual floor area of the existing leased premises.

The Property Valuer confirmed that in valuing the Individual Lease Agreements, it has complied with all relevant requirements set out in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 of the Listing Rules.

The historical rentals under the Individual Lease Agreements during the Track Record Period are set out below:

	Historical transaction amount (approximately)			
	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2018 (RMB'000)	For the four months ended 30 April 2019 (RMB'000)
Rentals paid under Individual Lease Agreements	466	962	1,326	1,625

CONNECTED TRANSACTIONS

Proposed annual caps and their bases

Rentals under the Individual Lease Agreements which have effect or will be entered into during the term of the Property Leasing Framework Agreement shall be aggregated on an annual basis for the purpose of annual caps determination. The annual caps of rentals in respect of the leasing of properties between our Group and the Excluded Group under the Property Leasing Framework Agreement for the three years ending 31 December 2021 are as follows:

	Annual Cap		
	For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)	For the year ending 31 December 2021 (RMB'000)
Property Leasing Framework Agreement	6,000	6,000	6,000

In determining the annual cap in respect of each of the year ending 31 December 2019, 2020 and 2021, we have considered the estimated amount of rentals payable by our Group under the Individual Lease Agreements for each of the year ending 31 December 2019, 2020 and 2021, taking into account: (i) the rentals of the relevant properties with reference to the prevailing market rates as set out in the Fair Rent Letters; and (ii) the floor area of the leased premises.

The increase of the annual caps under the Property Leasing Framework Agreement from the historical transaction amount is because: (i) during Track Record Period, there were only four leased properties paying the rentals due to (x) some of our subsidiaries did not commence operations at the material time; and (y) Zhongshan New Century and Dongri Automobile did not charge rental on their premises, whilst there are 16 leased properties under the Property Leasing Framework Agreement; and (ii) in determination of the proposed annual caps, our Group have taken into account the prevailing market rates of the leased properties as set out in the Fair Rent Letters whilst the historical rentals for the three years ended 31 December 2018 were based on depreciation of the relevant properties during which the rentals were only settled partially for the year of 31 December 2016. The historical rentals for the four months ended 30 April 2019 were based on: (i) the rentals of the relevant properties with reference to the prevailing market rates as set out in the Fair Rent Letters; and (ii) the floor area of the leased premises.

CONNECTED TRANSACTIONS

Details of the Individual Lease Agreements as at the Latest Practicable Date and the historical rentals of the Individual Lease Agreements during the Track Record Period are set out below:

	Address of leased properties	Lessor	Lessee	Gross Floor Area/ Site Area (sq.m)	Historical Transaction amount (approximately)			
					For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2018 (RMB'000)	For the four months ended 30 April 2019 (RMB'000)
1.	40 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Chuangxian Automobile	2,355	—	—	243	181
2.	40 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Century Sale Services	3,229	—	—	—	194
3.	40 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Century Sale Services	1,006	—	—	—	48
4.	40 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Chuangcheng Insurance	100	—	—	—	6
5.	40 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Chong Kit Management	100	—	—	—	6
6.	40 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Our Company	100	—	—	—	6
7.	91 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	New Century Toyota	3,786	—	—	—	227
8.	91 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	New Century Toyota	2,970	—	—	—	143
9.	7 Shagang Road West, Western District, Zhongshan	Dongri Automobile	Dongri Sale Services	4,055	—	—	—	244
10.	7 Shagang Road West, Western District, Zhongshan	Dongri Automobile	Fast Lane Services	100	—	—	—	6
11.	7 Shagang Road West, Western District, Zhongshan	Dongri Automobile	New Century Second-hand Car	50	—	—	—	3
12.	44 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Chuangzhi Automobile	3,950	192	490	509	102
13.	44 Rainbow Road, Western District, Zhongshan	Zhongshan New Century	Century Cadillac	3,950	—	—	—	59
14.	7 Shagang Road West, Western District, Zhongshan	Dongri Automobile	Dongyue Automobile	7,363	157	156	193	124
15.	7 Shagang Road West, Western District, Zhongshan	Dongri Automobile	Century Jaguar	7,363	—	—	—	110
16.	41 Minzhong Road North, Zhongshan	Zhongshan New Century	Chuangcheng Automobile	8,908	117	316	381	166
Total					<u>466</u>	<u>962</u>	<u>1,326</u>	<u>1,625</u>

CONNECTED TRANSACTIONS

Waiver Application

Transactions contemplated under the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Based on the proposed annual caps, (i) the transactions contemplated under the Property Leasing Framework Agreement will be subject to reporting, announcement and annual review requirements and exempt from the requirement of independent Shareholders' approval; and (ii) the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement will be subject to reporting, announcement, annual review and independent Shareholders' approval requirements.

Our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if the continuing connected transactions under (x) the Property Leasing Framework Agreement is subject to strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules; and (y) the Vehicle Sale and Purchase Framework Agreement is subject to strict compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules.

Our Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement for transactions contemplated under the Property Leasing Framework Agreement and the announcement and independent Shareholders' approval requirements for transactions contemplated under the Vehicle Sale and Purchase Framework Agreement under Chapter 14A of the Listing Rules subject to the following conditions: (a) the aggregate value for the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement for each of the three years ending 31 December 2021 will not exceed their respective proposed annual caps; (b) apart from the announcement and/or independent shareholders' approval requirements of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including setting the proposed annual caps; and (c) our Directors and the Sole Sponsor confirming in their view that the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement are in our Group's ordinary and usual course of business and their respective terms (including the proposed annual caps) are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement are in the ordinary and usual course of business of our Group and their respective terms (including the proposed annual caps) are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the transactions under the non-exempt connected transactions are fair and reasonable and in interests of our Company and Shareholders as a whole.

As Mr. Law, our Director, has a material interest in the continuing connected transactions in respect of the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement, he has abstained from voting on the board resolutions approving the same.

CONNECTED TRANSACTIONS

Confirmation from the Sole Sponsor

Having taking into account the information above, the Sole Sponsor concurs with our Directors' view that the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement will be entered into in the ordinary and usual course of the business of our Group and are based on normal commercial terms and are fair and reasonable and in the interests of our Company and its Shareholders as a whole, and that the proposed annual caps for the transactions contemplated under the Vehicle Sale and Purchase Framework Agreement and the Property Leasing Framework Agreement are fair and reasonable and in the interests of our Company and its shareholders as a whole.

Previous transactions with related parties

We entered into various related party transaction during the Track Record Period which are contained in the section headed "Related Party Transactions" in Appendix I to this prospectus. Our Directors are of the opinion that these transactions were conducted in the ordinary and usual course of our business and were on normal commercial terms. These transactions will be discontinued after listing of the Shares on the Stock Exchange, except for the continuing connected transactions set out in this section. Any connected transactions shall be conducted in compliance with the applicable provisions of the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The authorised and issued share capital of our Company upon Listing is as follows:

Authorised share capital: HK\$

<u>2,000,000,000</u> Shares	<u>20,000,000</u>
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Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

	HK\$
500,000,000 Shares	5,000,000

Shares issued or to be issued, fully paid or credited as fully paid:

7,500 Shares in issue before the Capitalisation Issue	75
374,992,500 Shares to be issued pursuant to the Capitalisation Issue	3,749,925
<u>125,000,000</u> Shares to be issued under the Global Offering	<u>1,250,000</u>
<u>500,000,000</u> Shares in total	<u>5,000,000</u>

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

	HK\$
518,750,000 Shares	5,187,500

Shares issued or to be issued, fully paid or credited as fully paid:

7,500 Shares in issue before the Capitalisation Issue	75
374,992,500 Shares to be issued pursuant to the Capitalisation Issue	3,749,925
<u>125,000,000</u> Shares to be issued under the Global Offering	<u>1,250,000</u>
<u>18,750,000</u> Over-allotment Option	<u>187,500</u>
<u>518,750,000</u> Shares in total	<u>5,187,500</u>

Pursuant to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules) without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

ASSUMPTIONS

The above table assumes the Global Offering become unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering are made. It does not take into account of any Shares which may be allotted and issued pursuant to any option that may be granted under

SHARE CAPITAL

the Share Option Scheme, and any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in “General Mandate to Issue Shares” and “General Mandate to Repurchase Shares” in this section.

RANKING

The Offer Shares, including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, will rank *pari passu* in all respects with all other Shares currently in issue or to be issued as set out in this prospectus, and in particular, will qualify in full for all dividends and other distributions hereafter declared, made or paid in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our sole Shareholder passed on 23 September 2019, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to capitalise a sum of HK\$3,749,925 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 374,992,500 Shares for allotment and issue to our sole Shareholder whose name appears on the register of members of our Company at the close of business of the business day immediately preceding the Listing Date (or another date as our Directors may direct). All the new Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

SHARE OPTION SCHEME

Pursuant to the written resolution of our sole Shareholder passed on 16 September 2019, our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the number of Shares not exceeding:

1. 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme; and
2. the total number of Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed “General mandate to Repurchase Shares” in this section below.

This general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or the exercise of any options which may be granted under the Share Option Scheme.

SHARE CAPITAL

This general mandate to allot and issue Shares will expire until the earliest of:

1. the conclusion of our Company's next annual general meeting unless this authority is renewed either conditionally or unconditionally at such meeting; or
2. the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
3. when varied or revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

If our Company conducts a share consolidation or subdivision after this general mandate is granted, the maximum number of Shares that may be issued under this general mandate as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

For further details of this general mandates, please refer to the paragraph headed "Further Information about our Company — Written resolutions of our sole Shareholder passed on 16 September 2019 and 23 September 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number not more than 10% of the total number of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the requirements of the Listing Rules and all applicable laws. For the summary of the relevant requirements of the Listing Rules, please refer to the paragraph headed "Further Information about our Company — Repurchase of Shares by our Company" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will expire at the earliest of:

1. the conclusion of our next annual general meeting unless this authority is renewed either conditionally or unconditionally at such meeting;
2. the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held; or
3. the passing of an ordinary resolution by our Shareholders revoking or varying the authorising given to our Directors.

SHARE CAPITAL

If our Company conducts a share consolidation or subdivision after this general mandate is granted, the maximum number of Shares that may be repurchased under this general mandate as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

For further details of this general mandates, please refer to the paragraph headed “Further information about our Company — Written resolutions of our sole Shareholder passed on 16 September 2019 and 23 September 2019” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meetings is prescribed for under the articles of association of the company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in the summary of the constitution of our Company and Cayman Islands company law in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Shares held immediately prior to the Global Offering and the Capitalisation Issue		Shares held immediately after the Global Offering and the Capitalisation Issue	
		Number of Shares or underlying Shares (Note 1)	Approximate percentage	Number of Shares or underlying Shares (Note 1)	Approximate percentage
Chong Kit	Beneficial owner	7,500 (L)	100%	375,000,000 (L)	75%
Mr. Law ^(Note 2)	Interest in a controlled corporation	7,500 (L)	100%	375,000,000 (L)	75%
Ms. Liu Yali ^(Note 3)	Interest of spouse	7,500 (L)	100%	375,000,000 (L)	75%

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. As at the Latest Practicable Date, Chong Kit is wholly owned by Mr. Law. Under the SFO, Mr. Law is deemed to be interested in the same number of Shares in which Chong Kit is interested.
3. Ms. Liu Yali is the spouse of Mr. Law. Under the SFO, Ms. Liu Yali will be deemed to be interested in the same number of Shares in which Mr. Law is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), have an interest or a short position in the Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

For details of our Directors’ interests in Shares immediately following completion of the Capitalisation Issue and the Global Offering, see the paragraph headed “Further Information about Substantial Shareholders, Directors and Experts — Disclosure of Interests” in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table sets forth certain information regarding our Directors.

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Company	Roles and responsibilities	Relationship amongst Directors and senior management
Mr. Law Hau Kit (羅厚杰)	49	17 May 1999	4 October 2018	Chairman, executive Director and chief executive officer	Overseeing our Group's overall operation, market development, sales and supplier relationships management	None
Mr. Chen Shaoxing (陳紹興)	49	1 August 1999	31 January 2019	Executive Director	Supervising our Group's accounting, financial management, fund raising, capital management and public relations	None
Ms. Li Huifang (李惠芳)	40	20 May 2003	31 January 2019	Executive Director	Supervising our Group's operation, market development, sales and administration management of certain brands	None
Mr. Li Wai Keung (李偉強)	62	16 September 2019	16 September 2019	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Mr. Chang Eric Jackson (張世澤)	39	16 September 2019	16 September 2019	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Ms. Yan Fei (嚴斐)	59	16 September 2019	16 September 2019	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None

Executive Directors

Mr. Law Hau Kit (羅厚杰), aged 49, is the founder, chairman and chief executive officer of our Group. He founded our Group in May 1999, was appointed as our Director on 4 October 2018 and was re-designated as our executive Director on 31 January 2019. Save as Chuangcheng Insurance and New Century Second-hand Car, Mr. Law is currently a director of each of our subsidiaries. Mr. Law is primarily responsible for overseeing the overall operation, market development, sales and supplier relationships management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law has over 26 years of experience in the automobile trading and distribution industry. Prior to founding our Group, Mr. Law worked in Foshan Shunde Automobile Industrial Trading Co., Ltd.* (佛山市順德汽車工業貿易有限公司) (previously Shunde Automobile Industrial Trading Co., Ltd.* (順德市汽車工業貿易公司), an automobile distributor and after-sales services provider, from October 1992 to July 1994, as a sales personnel and was promoted to be the sales manager. Mr. Law worked as a deputy general manager in Shunde Automobile Co., Ltd.* (順德汽車股份有限公司) (“Shunde Automobile”) from September 1994 to January 1999 where he was primarily responsible for the procurement of motor vehicles and management of sales team. Shunde Automobile was engaging in the business of distribution of motor vehicles.

Mr. Law was appointed as a member of the eleventh Guangdong Province Zhongshan City Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議第十一屆廣東省中山市委員會) on 29 December 2011. He is currently a member of the fifteenth execution committee of the Industry and Commerce Association of Zhongshan City (General Chamber of Commerce)* (中山市工商聯(總商會)第十五屆執委會常委), vice president of the Industry and Commerce Association of Western District of Zhongshan City (Chamber of Commerce)* (中山市西區工商業聯合會(商會)) and vice president of Zhongshan Motor Vehicle Maintenance Industry Association* (中山市機動車維修行業協會). Mr. Law joined Shun Tak Fraternal Association (順德聯誼總會) in October 2013 and was appointed as an honorary life president. He studied a diploma course majoring in law at Shunde Broadcast and Television University (順德廣播電視大學) from September 1990 to April 1992.

Mr. Law, as the sole shareholder of Chong Kit, will be deemed to be interested in 75.0% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) by virtue of the SFO.

Mr. Chen Shaoxing (陳紹興), aged 49, joined our Group on 1 August 1999, was appointed as our Director on 31 January 2019 and was re-designated as our executive Director on 31 January 2019. He is the vice president of our Group and is primarily responsible for supervising the accounting, financial management, fund raising, capital management and public relations of our Group. He is also the supervisor of a number of our subsidiaries.

Mr. Chen Shaoxing has over 25 years of experience in accounting and financial management. Prior to joining our Group, Mr. Chen Shaoxing worked in Maoming First Cotton Textile Factory* (茂名市第一棉紡織廠) from August 1993 to June 1996, and he was promoted as the chief accounting officer for financing of operation department in November 1994. Mr. Chen worked as assistant accountant responsible for accounting matters in Shunde Automobile from July 1996 to August 1999. Shunde Automobile was engaging in the business of distribution of motor vehicles. He graduated from a diploma course in industry accounting from Harbin College of Mechanical Electronic* (哈爾濱機電專科學校) in July 1993. In March 2017, Mr. Chen Shaoxing was appointed as the vice precedent of the fourth council of the Western District Automobile Industry Branch of Zhongshan Sole Proprietor and Private Enterprise Association* (中山市個私協會西區汽車行業分會第四屆理事會).

Ms. Li Huifang (李惠芳), aged 40, joined our Group on 20 May 2003, was appointed as our Director on 31 January 2019 and was re-designated as our executive Director on 31 January 2019. Ms. Li Huifang is the co-head of operation of our Group and is primarily responsible for the brand management, sales and marketing of the Beijing Hyundai, FAW Toyota, FAW Volkswagen, Chevrolet, Buick and Cadillac dealerships.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Huifang has over 16 years of experience in the automobile sale and distribution industry. She worked for Zhongshan New Century from May 2003 to February 2009 and was promoted to be the general manager of Zhongshan New Century. She served as the store manager of Chuangri Automobile from February 2009 to June 2016 and the store manager of Mingcheng Automobile from June 2016 to April 2017. She was promoted to be a deputy head of operation in May 2017 and was further promoted to be a co-head of operation of our Group in March 2018.

Ms. Li Huifang obtained a bachelor degree in agriculture from Zhanjiang Ocean University (湛江海洋大學), now known as Guangdong Ocean University (廣東海洋大學), in June 2002. She was awarded Excellent General Manager of Automobile Outlet* (優秀汽車經銷店總經理) by Guangdong Automobile Dealers Association (廣東省汽車流通協會) in March 2017.

Independent non-executive Directors

Mr. Li Wai Keung (李偉強), aged 62, was appointed as our independent non-executive Director on 16 September 2019. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Li has more than 40 years of experience in accounting financial management. Mr. Li was awarded the Endorsement Certificate in Accountancy by the Hong Kong Polytechnic in November 1983 and obtained a master degree in Business Administration from the University of East Asia, Macau, currently known as City University of Macau, in December 1991. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), and the honorary president of Hong Kong Business Accountants Association. Mr. Li had worked for Henderson Real Estate Agency Limited for around 16 years from September 1977 to September 1993 where he was promoted from an accounts clerk to the management level of deputy accounting manager and his responsibilities covered management reports, tax matters and consolidated financial statements. He was appointed a member of the twelfth Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員會) on 17 January 2018 and was subsequently appointed a standing member on 27 January 2018.

Mr. Li is currently an executive director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) ("GDL"), a non-executive director of Guangdong Investment Limited ("GDI") and an independent non-executive director of Shenzhen Investment Limited ("SZ Investment"), China South City Holdings Limited ("China South City") and Hans Energy Company Limited ("Hans"). GDL, GDI, SZ Investment, China South City and Hans are companies listed on the Main Board of the Stock Exchange (stock codes: 124, 270, 604, 1668 and 554 respectively). Also he served as a director of Shenzhen City Airport (Group) Co. Ltd from August 2008 to July 2018, and an independent non-executive director of Suncity Group Holdings Limited (a company listed on the main board of the Stock Exchange with stock code 1383) from 16 March 2010 to 27 May 2011. He is currently the chairman and a council member of the Hong Kong Chinese Orchestra Limited. He is currently serving as a management accounting adviser of the Ministry of Finance, PRC.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li was a director of the following company incorporated in Hong Kong at the time of its dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Mode of dissolution	Date of dissolution
Guangdong Fund (Hong Kong) Limited 廣東基金 (香港)有限公司	Investment holding	Member's voluntary winding up	22 March 2016

As confirmed by Mr. Li, the above company was dissolved voluntarily because it was no longer profitable. Mr. Li confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on his part leading to the dissolution of the said company by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the said company.

Mr. Chang Eric Jackson (張世澤), formerly known as Chang Eric Jackson (張再祖), aged 39, was appointed as our independent non-executive Director on 16 September 2019. He is mainly responsible for supervising and providing independent advice to our Board. He worked in PricewaterhouseCoopers Ltd. from September 2002 to October 2013 where he was promoted from an associate in the assurance department to the position of senior manager. Mr. Chang received his bachelor of commerce degree from University of British Columbia in May 2002 and is currently a member of Hong Kong Institute of Certified Public Accountants and of American Institute of Certified Public Accountants.

Mr. Chang is currently an independent non-executive director of each of Season Pacific Holdings Limited and Transmit Entertainment Limited, both being companies listed on the Main Board of the Stock Exchange with stock code 1709 and 1326, respectively. From 27 July 2015 to 1 April 2017, Mr. Chang served as an executive director for ZH International Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 185. From 5 May 2017 to 19 July 2018, Mr. Chang served as a non-executive director for Sino Vision Worldwide Holdings Limited (previously known as DX.com Holdings Limited), a company listed on GEM of the Stock Exchange with stock code 8086.

Ms. Yan Fei (嚴斐), aged 59, was appointed as our independent non-executive Director on 16 September 2019. She is mainly responsible for supervising and providing independent advice to our Board. She graduated from Nanchang Occupation Normal College of Technology (南昌職業技術師範學院) in July 1986. She previously worked as a journalist for Guangdong-Hong Kong Information Daily (粵港信息日報) and an assistant lecturer of Mechanic and Industrial College of Jiangxi Province* (江西省機械工業學校). She served as deputy secretary general of Guangdong Auction Industry Association (廣東省拍賣業協會) from September 2004 to November 2005. She is currently the president of Guangdong Automobile Dealers Association (廣東省汽車流通協會) and before promoted to such position she served the association as a secretary general since December 2005.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yan Fei (嚴斐) was a director of the following companies established in the PRC at the time of or within 12 months prior to its dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Mode of dissolution	Date of dissolution	Notes
Guangzhou Tonglian Automobile Information Consultancy Co., Ltd.* 廣州通聯汽車信息諮詢有限公司	Provision of consultancy services	Dissolution by member's resolutions	1 June 2010	Ms. Yan was a director at the time of the dissolution of this company.
Guangzhou Yuanshichun Automobile Information Consultancy Co., Ltd.* 廣州市源詩純汽車信息諮詢有限公司	Provision of consultancy services	Dissolution by member's resolutions	2 November 2017	Ms. Yan was a director within 12 months prior to the dissolution of this company.

As confirmed by Ms. Yan, Guangzhou Tonglian Automobile Information Consultancy Co., Ltd.* (廣州通聯汽車信息諮詢有限公司) was dissolved voluntarily in view that it was no longer profitable and Guangzhou Yuanshichun Automobile Information Consultancy Co., Ltd.* (廣州市源詩純汽車信息諮詢有限公司) was dissolved voluntarily as it had been dormant and had not commenced any operation since its incorporation. Ms. Yan confirmed that the above companies were solvent immediately prior to their respective dissolution and that there was no wrongful act on her part leading to the dissolution of the said companies. She also confirmed that she is not aware of any actual or potential claims or legal proceedings that has been or will be made against her as a result of the dissolution of the said companies.

Disclosure of relationships and as required pursuant to Rule 13.51(2) of the Listing Rules

Save as the interests of Mr. Law in the Shares which are disclosed in the paragraph headed “Statutory and General Information — Further Information about Substantial Shareholders, Directors and Experts — Disclosure of Interests” in Appendix IV to this prospectus, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, none of our Directors has been a director of any publicly companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

None of our Directors and members of our senior management is personally related to any of our Directors, senior management or substantial Shareholders of our Company.

To the best of the knowledge, information and belief of our Directors and having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management team consists of four members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company. The table below sets forth certain information regarding our senior management personnel.

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position in our Group	Roles and responsibilities
Mr. Liu Ning (劉寧)	50	12 February 2000	3 November 2017	Vice president	Overseeing used vehicle services, insurance agency services, car care services, procurement management and sales of accessories of our Group
Mr. Chen Huaquan (陳華泉)	41	21 August 2001	2 April 2007	Co-head of operation department	Overseeing sales and operation
Mr. Chan Ngai Fan (陳毅奮)	39	31 January 2019	31 January 2019	Joint company secretary	Company secretarial affairs and coordination of investor relations of our Group
Ms. Liang Jiexin (梁潔心)	32	6 August 2013	31 January 2019	Joint company secretary	Company secretarial affairs and coordination of investor relations of our Group

Mr. Liu Ning (劉寧), aged 50, was appointed as the vice president of our Group in November 2017. He joined our Group as a sales consultant of Zhongshan New Century in February 2000. He is also a director of New Century Second-hand Car. Mr. Liu is primarily responsible for overseeing used vehicle services, insurance agency services, car care services, procurement management and sales of accessories of our Group. He was awarded the qualification of assistant engineer by the Zhongshan Bureau of Personnel (中山市人事局) in January 2007.

Mr. Liu has over 19 years of experience in sales and other integrated services. After Mr. Liu joined our Group, he has worked as sales consultants and store manager for several of our subsidiaries, including Zhongshan New Century, Jucheng Automobile and New Century Toyota, where he was in charge of sale and other integrated services.

Mr. Liu completed the undergraduate study majoring in industrial electronic automation from Northwest Institute of Textile Science and Technology* (西北紡織工學院), now known as Xi'an Polytechnic University (西安工程大學) in July 1991.

Mr. Chen Huaquan (陳華泉), aged 41, was appointed as a co-head of operation of our Group in April 2007. He joined our Group as the secretary to chief executive officer of Zhongshan New Century in August 2001 who is primarily responsible for matters related to important meetings, day to day management of office matters for the chief executive officer and correspondence and supervision on important policy matters. Mr. Chen is primarily responsible for the brand management, sales and marketing of the Dongfeng Nissan and Dongfeng Venucia and Jaguar dealerships.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen has over 17 years of experience in the automobile sales and distribution industry. After he joined our Group in 2001, Mr. Chen also served as a sales manager of New Century Toyota from January 2005 to April 2007.

Mr. Chen obtained a bachelor degree in mechanical design, manufacturing and automation from Zhuzhou College of Engineering* (株洲工學院) in July 2001. Mr. Chen was awarded the Occupational Qualification Certificate of Second Level Technician for car maintenance by the Human Resources and Social Security Department of Guangdong Province in October 2014.

JOINT COMPANY SECRETARIES

Mr. Chan Ngai Fan (陳毅奮), aged 39, was appointed as one of our joint company secretaries on 31 January 2019. Mr. Chan has over 15 years of experience in auditing, accounting and financial management. Mr. Chan has obtained a bachelor of arts in accountancy and a master of corporate governance from the Hong Kong Polytechnic University in December 2007 and October 2013 respectively, and is a member of the Hong Kong Institute of Certified Public Accountants (Practising). From May 2015 to April 2018, Mr. Chan was the financial controller of KPa-BM Holdings Limited, a company listed on the Stock Exchange, stock code 2663. Mr. Chan was an independent non-executive director from 10 August 2017 to 5 September 2018, and the company secretary from 1 October 2018 to 26 May 2019 of Sino Vision Worldwide Holdings Limited (formerly known as DX.com Holdings Limited), a company listed on the GEM, stock code 8086. From 30 September 2016 to 18 March 2019, Mr. Chan served as director of Shenzhen Mingwah Aohan High Technology Corporation Limited* (深圳市明華澳漢科技股份有限公司), a company listed on the GEM, stock code 8301 where he served as a non-executive director from 30 September 2016 to 6 April 2018, an executive director from 6 April 2018 to 8 January 2019, and as a non-executive director from 8 January 2019 to 18 March 2019.

Ms. Liang Jiexin (梁潔心), aged 32, was appointed as one of our joint company secretaries on 31 January 2019. Ms. Liang joined our Group in August 2013 as the secretary to chief executive officer of Zhongshan New Century who is primarily responsible for matters related to important meetings, day to day management of office matters for the chief executive officer and correspondence and supervision on important policy matters and was promoted as the marketing manager in March 2017. Prior to joining our Group, Ms. Liang has worked in the Environmental Protection Bureau of Zhongshan* (中山市環境保護局) from July 2010 to July 2013. She obtained a bachelor degree from the South China Agricultural University with major in public service administration in July 2010.

BOARD COMMITTEES

Audit committee

Our Company has established an audit committee on 16 September 2019 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Li Wai Keung, Mr. Chang Eric Jackson and Ms. Yan Fei.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Wai Keung has been appointed as the chairman of the audit committee and he possesses the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board.

Remuneration committee

Our Company has established a remuneration committee on 16 September 2019 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of one executive Director, namely Mr. Chen Shaoxing, two independent non-executive Directors, namely Mr. Li Wai Keung and Mr. Chang Eric Jackson. Mr. Chang Eric Jackson has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, among others, to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

Our Company has established a nomination committee on 16 September 2019 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of one executive Director, namely Mr. Law and two independent non-executive Directors, namely Ms. Yan Fei and Mr. Chang Eric Jackson. Mr. Law has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are, among others, to review the structure, size, composition and diversity of our Board, assess the independence of our independent non-executive Directors and make recommendations to our Board on matters relating to appointment and re-appointment of Directors.

BOARD DIVERSITY

Our Company recognises increasing diversity at our Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. On 16 September 2019, we have adopted the board diversity policy, pursuant to which, we will consider our Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, as well as our business model. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on our Board.

Our Nomination Committee is delegated by our Board to be responsible for reviewing and ensuring the effectiveness and compliance with the board diversity policy. We will also disclose our board diversity policy in our corporate governance report upon and after Listing.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

DIRECTORS AND SENIOR MANAGEMENT

Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company's corporate governance practices have complied with the Corporate Governance Code.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports upon the Listing.

Code Provision A.2.1 of the Corporate Governance Code

Pursuant to code provision A.2.1 of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

However, we do not have a separate chairman and chief executive officer and Mr. Law is currently performing these two roles. With the extensive experience in the automobile trading and distribution industry, Mr. Law is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment in May 1999. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprises experienced and high-caliber individuals. Our Board currently comprises three executive Directors (including Mr. Law), and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration in the form of director fees, salaries, discretionary bonus, contributions to pension schemes and other benefits in kind subject to applicable laws and regulations. The aggregate amount of remuneration (including director fees, salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) paid to our Directors for the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately RMB0.6 million, RMB0.8 million, RMB0.9 million and RMB0.4 million, respectively.

The aggregate amount of remuneration (including salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) paid to the five highest paid individuals of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately RMB0.9 million, RMB1.1 million, RMB1.3 million and RMB0.5 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save as disclosed as above, no payments have been paid or are payable by any members of our Group to our Directors or the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 December 2019 is estimated to be approximately HK\$1.9 million.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and responsibilities of respective Directors and senior management and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective experience and qualifications as well as responsibilities of our Directors and senior management and the performance of our Group.

COMPLIANCE ADVISER

Our Company has appointed the Sole Sponsor as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. In compliance with Rule 3A.23 of the Listing Rules, our Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to apply the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to us in respect of unusual price movement and trading volume or other issues.

The term of this appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as at and for the three years ended 31 December 2018 and the four months ended 30 April 2019 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRS. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

Established in 1999, we are an integrated auto service provider in Zhongshan, Guangdong province of the PRC with a focus on mid-to-high end sino-foreign and international brands. As at 31 December 2018, we were the largest 4S dealership group in Zhongshan in terms of the number of 4S dealership outlets and ranked 13th by ACMR amongst privately-owned 4S dealership groups in the Guangdong province according to the ACMR Report.

We offer our customers a comprehensive array of automobile-related products and services including the sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services.

During the Track Record Period, we primarily conducted our businesses through 13 4S dealership outlets, a quick fix auto centre, five quick fix service points and an insurance agency company which are located in Zhongshan within the Guangdong province of the PRC. Our used vehicle trading centre commenced operation in October 2018 to expand and develop our used vehicle services.

During the Track Record Period, we operated 4S dealership outlets dedicated to the following brands: Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick as authorised by our respective automobile manufacturers. Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019. We expect our new outlet for the Cadillac to commence operation in the first quarter of 2020, which is currently under construction.

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue was approximately RMB1,834.7 million, RMB1,904.9 million, RMB1,940.3 million and RMB568.3 million, respectively and our gross profit was approximately RMB122.4 million, RMB145.4 million, RMB174.4 million and RMB54.3 million, respectively.

During the Track Record Period, our revenue increased by approximately 3.8% for the year ended 31 December 2017 compared to the year ended 31 December 2016, by approximately 1.9% for the year ended 31 December 2018 compared to the year ended 31 December 2017, and by approximately 7.0% for the four months ended 30 April 2019 compared to the four months ended 30 April 2018 and our gross profit increased by approximately 18.8% for the year ended 31 December 2017 compared to the year ended 31 December 2016, by approximately 19.9% for the year ended 31 December 2018 compared to the year ended 31 December 2017 and by approximately 22.1% for the four months ended 30 April 2019 compared to the four months ended 30 April 2018.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group.

The companies now comprising our Group were under the common control of our Controlling Shareholders Mr. Law (the “**Controlling Shareholder**”) before and after the Reorganisation. Accordingly, for the purposes of the Accountants’ Report set out in Appendix I of this prospectus, the historical financial information of our Group during the Track Record Period has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The historical financial information of the businesses, which were acquired by our Group after being transferred from our Controlling Shareholder’s subsidiaries, namely Zhongshan New Century and Dongri Automobile to Century Sale Services and Dongri Sale Services respectively, has been prepared by segregating from the books and records of Zhongshan New Century and Dongri Automobile throughout the Track Record Period as these businesses had been separately managed and financially controlled within Zhongshan New Century and Dongri Automobile and the historical financial information attributable to these businesses were practically identifiable.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of our Controlling Shareholder, where the shorter period shall prevail. The consolidated statements of financial position of our Group as at 31 December 2016, 2017, 2018 and 30 April 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from our Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than our Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

For details, please refer to note 2.1 of the Accountants’ Reports set out in to this prospectus.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Demand for passenger vehicles in Zhongshan within the Guangdong province of the PRC

Our business, financial condition and results of operations depend significantly on sales of passenger vehicles, and our operations are exclusively focused on the affluent region, in Zhongshan, Guangdong province. As such demand for passenger vehicles in Zhongshan, and specifically for passenger vehicles of the brands we sell, directly affects the sales of passenger vehicles in Zhongshan

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upon which our business, financial condition and results of operations depend significantly. We sold 16,366, 16,671, 17,037 and 5,015 motor vehicles (most of which consist of passenger vehicles) in the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Market demand for passenger vehicles in general in the PRC is driven by various factors including, among others, growth of individual wealth, continued urbanisation of the Chinese population, and government policies affecting the automobile industry in the PRC. The rapid growth of the PRC economy has led to accelerated urbanisation and increased living standards and per capita disposable income, which have been affecting the demand for passenger vehicles in the PRC. In particular, according to the ACMR Report, Guangdong province is one of the regions with the highest level of economic development in the PRC, and Zhongshan is one of the major cities with a high level of economic development in Guangdong province. From 2013 to 2018, the nominal GDP of Zhongshan increased from RMB265.2 billion to RMB363.3 billion, representing a CAGR of 6.5%, as a share of nominal GDP of Guangdong province decreasing from 4.2% to 3.7%. In 2018, Zhongshan ranked the sixth in Guangdong province in terms of nominal GDP. From 2013 to 2018, nominal GDP per capita in Zhongshan increased from RMB83,804.00 to RMB110,585.00, with a CAGR of 5.7%, higher than the average level of Guangdong province and national average. Meanwhile, the annual disposable income per capita of Zhongshan increased from RMB30,245.90 in 2013 to RMB46,865.00 in 2018, representing a CAGR of 9.2%. According to the ACMR Report, benefiting from the steady development of the economy, the annual disposable income per capita of Zhongshan residents will continue increasing in the period from 2019 to 2023.

Within the PRC passenger vehicle market, factors that affect customer preferences for specific brands also exist. As we only offer one vehicle brand in most of our dealerships, any change in the popularity of a particular brand, which is largely outside of our control, can significantly affect the financial condition and results of operations of individual dealerships and our Group as a whole. Negative sentiments in the PRC against any specific brands could have a material adverse impact on our overall operations and financial results. For example, during 2016 and 2017, there was an anti-South Korea sentiment in the PRC as a result of the United States of America's deployment of the Terminally High Attitude Area Defense (THAAD) system in South Korea, which had a negative impact on the demand for motor vehicles of South Korea brands, i.e. in our case Beijing Hyundai. Our sales of Beijing Hyundai decreased by approximately RMB83.3 million for the year ended 31 December 2017 compared to the year ended 31 December 2016. Similarly, increased popularity of the brands that we sell or the addition of more popular brands into our brand portfolio could result in a positive impact on our overall operations and financial results. Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019 and we plan to open a new dealership outlet for Cadillac in the first quarter of 2020 to enhance our brand portfolio. According to the ACMR Report, sales of Cadillac, Jaguar and Land Rover has achieved fast growth from 2013 to 2018, with combined market share increasing from 9.1% to 12.3% in the luxury passenger vehicle market in the PRC.

Expansion of our dealership network

Our business, financial condition and results of operations are directly affected by the number, location and performance of our dealerships. During the Track Record Period, we operated 4S dealership outlets dedicated to the following brands: Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick as authorised by our respective automobile manufacturers. During the Track Record Period, we operated 13 4S dealership outlets and one new dealership outlet for Cadillac is under construction. Our new Jaguar and Land Rover 4S dealership outlet has commenced operation in the second quarter of 2019, and we expect our new outlet for Cadillac to commence operation in the first quarter of 2020. As at the Latest Practicable

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Date, we had been authorised to open an additional outlet dedicated to the JETTA brand, which is a new brand of FAW Volkswagen in Zhongshan which is expected to commence operation in the first quarter of 2020.

Our ability to maintain and expand our dealership network is dependent on our ability to secure dealership agreements for desirable vehicle brands and/or identify attractive acquisition targets in attractive locations on acceptable terms. We believe that our track record and established relationships with automobile manufacturers provide us with a good position from which to enter into dealership agreements with automobile manufacturers and/or negotiate purchase arrangements with potential acquisition targets, so as to support our strategy in further expanding our dealership network.

The timing of establishing new dealerships and our ability to minimise the ramp up time required for newly established dealerships could also significantly affect our financial conditions and results of operation. We are usually required to incur upfront costs, including personnel costs, rental expenses, initial inventory costs, construction expenses and renovation expenses, many of which we will start to incur immediately on or before establishing a new dealership, while revenue from a new dealership slowly ramps up after its establishment. This could negatively affect our margins. This effect becomes more noticeable the larger the number of new dealerships is as compared with the existing operating base.

Product and service mix

We offer our customers a comprehensive array of automobile-related products and services including the sales of motor vehicles (both new and used vehicles) and other integrated auto services, that is, repair services (including the repair and maintenance services, the sales of spare parts, car care services and used vehicle warranty services), the sales of accessories, insurance agency services and other value-added services. Our brand portfolio largely consists of mid-to-high end sino-foreign or international brands that are the mainstream brands in the PRC. To enhance our product mix, we also obtained automobile dealerships of luxury passenger vehicles under the Jaguar Land Rover and Cadillac which, according to the ACMR Report has achieved fast growth from 2013 to 2018 with combined market share increasing from 9.1% to 12.3% in the luxury passenger vehicle market in the PRC. The product and service mix can have a significant effect on our results of operation in particular our margins. As a result, our profitability and results of operations may vary significantly from period to period as a result of changes in the mix of products and services sold during the relevant period.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, the gross profit margin on sales of motor vehicles was approximately 1.0%, 2.1%, 3.7% and 6.7%, respectively.

Consistent with industry trends, during the Track Record Period, we recorded higher gross profit margins from the provision of other integrated auto services than from sales of motor vehicles and such margins grew from the year ended 31 December 2016 to the year ended 31 December 2017 but decreased from the year ended 31 December 2017 to 31 December 2018 and further decreased from the four months ended 30 April 2018 to the four months ended 30 April 2019. We expect that our proportion of revenue and gross profit margin from other integrated auto services will grow with the increasing maturity of our dealerships and our continuing efforts in improving and enhancing the other integrated auto services we provide, which will positively affect our profitability and results of operation.

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Sensitivity Analysis

Sales of new vehicles accounted for the majority of our revenue. The following sensitivity analysis illustrates the impact of hypothetical fluctuations of the average selling price on our profit before tax during the Track Record Period, based the assumptions that (i) the hypothetical fluctuation rates for the average selling price of new vehicles were set at 5% and 10% which were derived with reference to the historical fluctuations; (ii) the gross profit margin of the sales of new vehicles remained unchanged for the respective period; and (iii) all other variables held constant.

	+ /-5.0% RMB'000
Increase/(decrease) in profit before income tax <i>(Note 1)</i>	
Year ended 31 December 2016	+ /-778
Year ended 31 December 2017	+ /-1,612
Year ended 31 December 2018	+ /-2,898
Four months ended 30 April 2019	+ /-1,603
	+ /-10.0% RMB'000
Increase/(decrease) in profit before income tax <i>(Note 1)</i>	
Year ended 31 December 2016	+ /-1,556
Year ended 31 December 2017	+ /-3,224
Year ended 31 December 2018	+ /-5,797
Four months ended 30 April 2019	+ /-3,207

Note:

- (i) Our profit before tax was approximately RMB23.1 million, RMB43.4 million, RMB53.5 million and RMB11.5 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Rebates from automobile manufacturers

Our gross profit is affected in part by the incentive rebates that automobile manufacturers offer. These rebates are generally determined with reference to a number of factors, including the number of new passenger vehicles we purchase and sell, customer satisfaction and other performance indicators as set by automobile manufacturers depending on their policies. Please refer to the section headed “Business — Our Business Segments — Sales of motor vehicles — Sales of new vehicles — Incentive rebates” in this prospectus for more information. For the three years ended 31 December 2018 and the four months ended 30 April 2019, we recorded rebates of approximately RMB187.6 million, RMB239.3 million, RMB340.5 million and RMB139.4 million, respectively, representing approximately 11.9%, 14.6%, 20.5% and 28.6% of revenue from sales of motor vehicles, respectively. Generally, automobiles manufacturers offer rebate, either as an incentive for the sales of new vehicles, or as a counterbalance for the price pressure on sales of new vehicles. For details, please refer to the paragraph headed “Financial Information — Description of major component of our results of operation — cost of sales” in this prospectus.

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Our incentive rebates are typically in the form of discount for subsequent new passenger vehicle purchases and discount for subsequent spare parts or accessories purchases. Incentive rebates relating to motor vehicles purchased and sold are deducted from cost of sales, while rebates relating to motor vehicles purchased but are still held as at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. As a result, our results of operations and business are affected by the incentive rebates we obtain from automobile manufacturers.

Seasonality

Our sales of new vehicles which contributed around 85% of our revenue during the Track Record Period are subject to seasonality. As we only sold passenger vehicles in the PRC, we may experience fluctuations in our sales volume and revenue based on seasonal patterns of behaviour of passenger vehicle purchasers in the PRC. We have, in the three years ended 31 December 2018 and the four months ended 30 April 2019, recorded higher sales volume of passenger vehicles in the second half of each year.

We cannot assure you that our revenue from our sales of new vehicles will always be higher in the second half of the year. Our results of operations may fluctuate from period to period for a variety of reasons, including those listed above. Therefore comparisons of sales and operating results between different periods within a single financial year, or between same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our performance. Please refer to the section headed “Risk Factors — Risks Relating to Our Business — Our business is subject to seasonal fluctuations” in this prospectus.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our significant accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies which we believe are of significant importance to us or involve the most critical accounting judgement and estimates used in the preparation of our financial statements. Our significant accounting policies, judgement and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 2.5 and 3 in the notes to the Accountants’ Report in Appendix I to this prospectus.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised 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 to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is

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highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sales of goods

Revenue from the sales of motor vehicles, spare parts, accessories and other automobile-related products is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the product.

(b) Provision of services

Revenue from provision of services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by our Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before our Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when our Group performs under the contract.

Impairment of financial assets

Our Group recognises an allowance for expected credit losses (“**ECLs**”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sales of collateral held or other credit enhancements that are integral to the contractual terms. There are two approaches for the calculation of ECLs, the general approach and the simplified approach. Please refer to the paragraph headed “Impairment of financial assets” in note 2.5 “Summary of Significant Accounting Policies” in the Accountants’ Report in Appendix I to this prospectus.

At each reporting date, our Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, our Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a

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default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

IFRS 9 and IFRS 15

The consolidated financial information of our Group has been prepared in accordance with the IFRSs. All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 Financial Instruments (“**IFRS 9**”), IFRS 15 *Revenue from Contracts with Customers* and related amendments to *IFRS 15 Classifications to IFRS 15 Revenue from Contracts with Customers* (“**IFRS 15**”), have been early adopted and consistently applied by our Group in the preparation of the historical financial information since the beginning of, and throughout, the Track Record Period. Our Directors consider that the adoption of IFRS 9 and IFRS 15 would not have a significant impact on our Company’s financial position and performance compared to the requirements of IAS 39 Financial Instruments: Recognition and Measurement and IAS 18 Revenue.

IFRS 16

Under IFRS 16, at the commencement date of a lease, a lease will recognise a liability to make lease payments, i.e. the lease liability), and an asset representing the right to use the underlying asset during the lease term, i.e. the right-of-use asset. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

By applying IFRS 16, as at 31 December 2016, 2017 and 2018 and 30 April 2019, we recognise right-of-use assets amounted to RMB44.4 million, RMB40.4 million, RMB36.4 million and RMB47.2 million, respectively, and recognise lease liability amounted to RMB34.1 million, RMB31.5 million, RMB28.8 million and RMB40.1 million, respectively. Our Directors consider that the adoption of IFRS 16, as compared to the requirements of IAS 17, would increase the consolidated assets and consolidated liabilities of our Group, but would not result in a significant impact to our Group’s consolidated financial position and performance.

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The following table sets forth the impact of adoption of IFRS 16 on key financial ratios and our Group's consolidated financial position (i.e. net assets) for the relevant years in which IFRS 16 was not effective when compared with the adoption of IAS 17:

	As at/for the years ended 31 December		
	2016	2017	2018
Increase/(decrease) in:			
Current ratio	—	—	—
Gearing ratio (%)	2.5	7.1	10.6
Gross profit margin (%)	—	—	—
Return on total assets (%)	(0.3)	(0.4)	(0.2)
Return on total equity (%)	(0.8)	0.0	0.5
Net assets (in RMB'000)	(2,277)	(3,279)	(4,057)

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of comprehensive income for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,834,701	1,904,919	1,940,311	531,300	568,329
Cost of sales	(1,712,336)	(1,759,497)	(1,765,933)	(486,806)	(514,017)
Gross profit	122,365	145,422	174,378	44,494	54,312
Other income and gains	8,010	8,133	12,698	4,126	4,110
Selling and distribution expenses	(48,699)	(51,479)	(59,224)	(19,636)	(20,237)
Administrative expenses	(50,097)	(51,970)	(66,724)	(17,766)	(22,173)
Other expenses, net	(1,420)	(898)	(633)	(98)	(265)
Finance costs	(7,061)	(5,767)	(6,995)	(1,683)	(4,272)
Profit before tax	23,098	43,441	53,500	9,437	11,475
Income tax expense	(8,332)	(12,762)	(19,062)	(5,228)	(5,631)
PROFIT FOR THE YEAR/(PERIOD) AND OTHER COMPREHENSIVE INCOME FOR YEAR/(PERIOD)	<u>14,766</u>	<u>30,679</u>	<u>34,438</u>	<u>4,209</u>	<u>5,844</u>

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATION

Revenue

We derive our revenue from sales of motor vehicles, and other integrated auto services. All of our revenue is derived from our operations in the PRC. Sales of motor vehicles consists primarily of sales of new vehicles and, to a lesser extent, sales of used vehicles. Other integrated auto services primarily represent the revenue generated from repair services, sales of accessories, insurance agency services, and to a lesser extent, the vehicle licensing registration services and registration of title transfer of used vehicles.

The following table sets forth a breakdown of our revenue by category for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	1,573,106	85.7	1,635,342	85.8	1,658,936	85.5	444,848	83.7	487,702	85.8
Other integrated auto services	261,595	14.3	269,577	14.2	281,375	14.5	86,452	16.3	80,627	14.2
Total	<u>1,834,701</u>	<u>100.0</u>	<u>1,904,919</u>	<u>100.0</u>	<u>1,940,311</u>	<u>100.0</u>	<u>531,300</u>	<u>100.0</u>	<u>568,329</u>	<u>100.0</u>

Our revenue increased from approximately RMB1,834.7 million for the year ended 31 December 2016 to approximately RMB1,904.9 million for the year ended 31 December 2017, to approximately RMB1,940.3 million for the year ended 31 December 2018 and from approximately RMB531.3 million for the four months ended 30 April 2018 to approximately RMB568.3 million for the four months ended 30 April 2019. This was primarily due to the increase in the overall automobile sales during the respective periods.

Sales of motor vehicles

Our revenue from the sales of motor vehicles is determined by sales volume, average selling price (“ASP”) and product mix. Save for a small number of commercial vehicles sold, all motor vehicles we sold during the Track Record Period were passenger vehicles. The following table sets forth a breakdown of our revenue from sales of motor vehicles by category for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of new vehicles	1,564,842	99.5	1,623,481	99.3	1,641,444	98.9	439,952	98.9	483,663	99.2
Sales of used vehicles	8,264	0.5	11,861	0.7	17,492	1.1	4,896	1.1	4,039	0.8
	<u>1,573,106</u>	<u>100.0</u>	<u>1,635,342</u>	<u>100.0</u>	<u>1,658,936</u>	<u>100.0</u>	<u>444,848</u>	<u>100.0</u>	<u>487,702</u>	<u>100.0</u>

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The following table sets forth a breakdown of the sales volume our revenue from sales of new vehicles by brand during the Track Record Period:

Brand	For the year ended 31 December						2018					
	2016			2017			2017			2018		
	Sales volume (unit)	ASP ^(Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)	Sale volume (unit)	ASP ^(Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)	Sales volume (unit)	ASP ^(Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	Percentage contribution to revenue from sales of new vehicles (%)
Dongfeng Nissan	6,313	96	605,805	38.7	7,422	97	723,447	44.6	8,484	96	812,561	49.5
FAW Toyota	2,094	107	223,495	14.3	2,127	108	230,104	14.2	1,972	112	219,975	13.4
Beijing Hyundai	2,530	103	259,985	16.6	1,851	95	176,681	10.9	2,113	85	178,770	10.9
FAW Volkswagen	1,188	114	135,497	8.7	1,186	111	131,377	8.1	1,177	111	131,017	8.0
Dongfeng Venucia	1,313	73	96,054	6.1	1,372	84	115,918	7.1	1,510	79	118,770	7.2
Chevrolet	904	90	81,806	5.2	1,042	99	103,291	6.3	780	96	74,740	4.6
Buick	1,115	112	125,073	8.0	956	114	109,037	6.7	908	110	100,108	6.1
Domestic Brand and others ^(Note 1)	909	41	37,127	2.4	715	47	33,626	2.1	93	59	5,503	0.3
	16,366	96	1,564,842	100.0	16,671	97	1,623,481	100.0	17,037	96	1,641,444	100.0

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Brand	For the four months ended 30 April				2019			
	2018		Percentage contribution to		2019		Percentage contribution to	
	Sales volume (unit)	ASP ^(Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	revenue from sales of new vehicles (%)	Sale volume (unit)	ASP ^(Note 2) (RMB'000)	Revenue from sales of new vehicles (RMB'000)	revenue from sales of new vehicles (%)
Dongfeng Nissan	2,018	99	199,282	45.3	2,495	98	245,179	50.7
FAW Toyota	679	103	69,689	15.9	626	106	66,294	13.7
Beijing Hyundai	492	93	45,869	10.4	709	84	59,578	12.3
FAW Volkswagen	246	116	28,563	6.5	354	116	41,062	8.5
Dongfeng Venucia	436	87	37,899	8.6	450	74	33,078	6.9
Chevrolet	254	99	25,229	5.7	196	87	17,077	3.5
Buick	285	111	31,511	7.2	185	116	21,395	4.4
Domestic Brand and others	39	49	1,910	0.4	0	0	0	0
	4,449	99	439,952	100.0	5,015	96	483,663	100.0

Notes:

- During the Track Record Period, we operated a Domestic Brand 4S dealership outlet until the dealership was terminated in July 2017. Following the shift of our business focus to mid-to-high end sino-foreign and international brands, the Domestic Brand dealership was terminated. In addition, we sold a small number of commercial vehicles under the Domestic Brand and a sino-Japanese brand during the Track Record Period.
- The average selling price of vehicles under a particular brand is calculated on the basis of revenue attributable to vehicles under that brand divided by sale volume of vehicles under that brand.

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Our revenue from the sales of motor vehicles increased by approximately RMB62.2 million, or 4.0%, from approximately RMB1,573.1 million for the year ended 31 December 2016 to approximately RMB1,635.3 million for the year ended 31 December 2017, which was mainly due to (i) the increase of sales of new vehicles of approximately RMB58.7 million, from approximately RMB1,564.8 million for the year ended 31 December 2016 to approximately RMB1,623.5 million for the year ended 31 December 2017; and (ii) the increase of sales of used vehicles of approximately RMB3.6 million, from approximately RMB8.3 million for the year ended 31 December 2016 to approximately RMB11.9 million for the year ended 31 December 2017.

The increase in our revenue generated from sales of new vehicles was mainly driven by the increase in (i) the sales volume of approximately 1.9%, or 305 units; and (ii) the average ASP of approximately 1.0%. Such increase was primarily attributable to the combined effect of (i) the increase in sales of Dongfeng Nissan, Chevrolet and Dongfeng Venucia of approximately RMB117.6 million, RMB21.5 million and RMB19.8 million, respectively; and (ii) the decrease in sales of Beijing Hyundai of approximately RMB83.3 million, which is further explained below.

(i) Dongfeng Nissan

The increase in sales of Dongfeng Nissan of approximately RMB117.6 million, or approximately 19.4%, from approximately RMB605.8 million for the year ended 31 December 2016 to approximately RMB723.4 million for the year ended 31 December 2017, was mainly due to the increase in the sales volume of approximately 1,109 units, or 17.6%, as (i) the full year effect of a new dealership opened near the end of 2016; and (ii) the strong market demand for a number of models, including those upgraded models or newly introduced models in 2017 in PRC market. While the ASP was relatively stable for the two years ended 31 December 2017.

(ii) Chevrolet

The increase in sales of Chevrolet of approximately RMB21.5 million, or approximately 26.3%, from approximately RMB81.8 million for the year ended 31 December 2016 to approximately RMB103.3 million for the year ended 31 December 2017, was mainly attributable to the increase in (i) the sales volume of approximately 138 units, or 15.3% as compared to the year ended 31 December 2016; and (ii) the ASP of approximately 10.0%. Such increase was mainly due to four new or upgraded models.

(iii) Dongfeng Venucia

The increase in sales of Dongfeng Venucia of approximately RMB19.8 million, or 20.6%, from approximately RMB96.1 million for the year ended 31 December 2016 to approximately RMB115.9 million for the year ended 31 December 2017, was mainly due to the increase in ASP of approximately 15.1%. Such increase was primarily due to (i) the opening of a new 4S dealership outlet in 2016; and (ii) the optimisation of our product mix by selling models with higher ASP during the relevant period.

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(iv) Beijing Hyundai

The decrease in sales of Beijing Hyundai of approximately RMB83.3 million, or approximately 32.0%, from approximately RMB260.0 for the year ended 31 December 2016 to approximately RMB176.7 million for the year ended 31 December 2017, was mainly due to the decrease in (i) the sales volume of approximately 679 units, or 26.8% as compared to the year ended 31 December 2016; and (ii) the ASP of approximately 7.8%.

During 2016 and 2017, there was an anti-South Korea sentiment in the PRC as a result of the United States of America's deployment of the Terminally High Altitude Area Defense (THAAD) system in South Korea (the "THAAD Event"), which had a negative impact on the demand for motor vehicles of South Korean brands, i.e. in our case, Beijing Hyundai. Hence, in turn it affected both the sales volume and the ASP of Beijing Hyundai for the two years ended 31 December 2017.

Our revenue from the sales of motor vehicles increased by approximately RMB23.6 million, or approximately 1.4%, from approximately RMB1,635.3 million for the year ended 31 December 2017 to approximately RMB1,658.9 million for the year ended 31 December 2018, which was mainly due to (i) the increase of sales of new vehicles of approximately RMB17.9 million, from approximately RMB1,623.5 million for the year ended 31 December 2017 to approximately RMB1,641.4 million for the year ended 31 December 2018; and (ii) the increase of sales of used vehicles of approximately RMB5.6 million, from approximately RMB11.9 million for the year ended 31 December 2017 to approximately RMB17.5 million for the year ended 31 December 2018.

The increase in our revenue generated from sales of new vehicles was mainly driven by (i) the increase in sales volume of approximately 2.2%, or 366 units as compared to the year ended 31 December 2017; and (ii) partially offset by the decrease in ASP of approximately 1.0%. Such increase was primarily attributable to the combined effect of (i) the increase in sales of Dongfeng Nissan of approximately RMB89.2 million; and (ii) the decrease in sales of Chevrolet, Domestic Brand and FAW Toyota, of approximately RMB28.6 million, RMB28.1 million and RMB10.1 million, respectively.

(i) Dongfeng Nissan

The increase in sales of Dongfeng Nissan of approximately RMB89.2 million, or approximately 12.3%, from approximately RMB723.4 million for the year ended 31 December 2017 to approximately RMB812.6 million for the year ended 31 December 2018, was mainly due to the increase in the sales volume of approximately 1,062 units, or 14.3%, as benefited from growing customer base associated with our dealerships and the strong market demands for a number of models during the relevant period, while the ASP was relatively stable for the two years ended 31 December 2018.

(ii) Chevrolet

The decrease in sales of Chevrolet of approximately RMB28.6 million, or approximately 27.7%, from approximately RMB103.3 million for the year ended 31 December 2017 to approximately RMB74.7 million for the year ended 31 December 2018, was due to the decrease in sales volume of approximately 262 units, or 25.1% and the decrease in ASP of approximately 3.0% as no upgraded or newly introduced mainstream models during the year ended 31 December 2018 resulting in decreasing demand.

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(iii) Domestic Brand and others

The decrease in sales of Domestic Brand and others of approximately RMB28.1 million, or approximately 83.6%, from approximately RMB33.6 million for the year ended 31 December 2017 to approximately RMB5.5 million for the year ended 31 December 2018, was mainly due to the decrease in the sales volume of approximately 622 units, or 87.0% as compared to the year ended 31 December 2017, as the Domestic Brand dealership was terminated in 2017. This was partially offset by the increase in the ASP of approximately 25.5%, which was mainly due to the sales of different product mix of the remaining Domestic Brand vehicles.

(iv) FAW Toyota

The decrease in sales of FAW Toyota of approximately RMB10.1 million, or approximately 4.4%, from approximately RMB230.1 million for the year ended 31 December 2017 to approximately RMB220.0 million for the year ended 31 December 2018, was due to the decrease in sales volume of approximately 155 units, or 7.3%. This was partially offset by the increase in ASP of approximately 3.7%. The decrease in sales was mainly due to decrease in demand of the passenger vehicles as no newly launched mainstream or upgraded models during the year ended 31 December 2018.

Our revenue from the sales of motor vehicles increased by approximately RMB42.9 million, or approximately 9.6%, from approximately RMB444.8 million for the four months ended 30 April 2018 to approximately RMB487.7 million for the four months ended 30 April 2019, which was mainly due to (i) the increase of sales of new vehicles of approximately RMB43.7 million, from approximately RMB440.0 million for the four months ended 30 April 2018 to approximately RMB483.7 million for the four months ended 30 April 2019; and (ii) partially offset by the decrease of sales of used vehicles of approximately RMB0.9 million, from approximately RMB4.9 million for the four months ended 30 April 2018 to approximately RMB4.0 million for the four months ended 30 April 2019.

The increase in our revenue generated from sales of new vehicles was mainly driven by (i) the increase in the sales volume of approximately 12.7%, or 566 units; and (ii) partially offset by the decrease in the average ASP of approximately 3.0%. Such increase was primarily attributable to the combined effect of (i) the increase in sales of Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen of approximately RMB45.9 million, approximately RMB13.7 million and approximately RMB12.5 million, respectively; and (ii) the decrease in sales of Buick of approximately RMB10.1 million, which is further explained below.

(i) Dongfeng Nissan

The increase in sales of Dongfeng Nissan of approximately RMB45.9 million, or approximately 23.0%, from approximately RMB199.3 million for the four months ended 30 April 2018 to approximately RMB245.2 million for the four months ended 30 April 2019, was mainly due to the increase in the sales volume of approximately 477 units, or 23.6%. as benefiting from increasing demand of the upgraded mainstream models during the four months ended 30 April 2019, as compared to the four months ended 30 April 2018, while the average ASP remained relatively stable for the four months ended 30 April 2018 and 2019.

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(ii) *Beijing Hyundai*

The increase in sales of Beijing Hyundai of approximately RMB13.7 million, or approximately 29.8%, from approximately RMB45.9 million for the four months ended 30 April 2018 to approximately RMB59.6 million for the four months ended 30 April 2019, was mainly due to (i) the increase in the sales volume of approximately 217 units, or 44.1%; and (ii) partially offset by the decrease in ASP of approximately 9.7%. The increase in sales was mainly due to (i) new vehicle models of Beijing Hyundai passenger vehicles were introduced to the market in late 2018 which led to the increase in sales volume for the four months ended 2019 as compared to the four months ended 30 April 2018; and (ii) the automobile manufacturers offered more promotion which lowered the average selling price of the main stream models which in turn increase the sales volume.

(iii) *FAW Volkswagen*

The increase in sales of FAW Volkswagen of approximately RMB12.5 million from approximately RMB28.6 million for the four months ended 30 April 2018 to approximately RMB41.1 million for the four months ended 30 April 2019, was mainly due to the increase in the sales volume of approximately 108 units, or 43.9%. The increase in sales was mainly due to certain new vehicle models and upgraded vehicle models of FAW Volkswagen passenger vehicles were introduced to the market after May 2018, while the ASP was relatively stable for the four months ended 30 April 2018 and 30 April 2019.

(iv) *Buick*

The decrease in sales of Buick of approximately RMB10.1 million, or approximately 32.1%, from approximately RMB31.5 million for the four months ended 30 April 2018 to approximately RMB21.4 million for the four months ended 30 April 2019, was mainly due to the decrease in the sales volume of approximately 100 units, or 35.1%. The decrease in sales during the four months ended 30 April 2019 as compared to the four months ended 30 April 2018 was mainly due to no upgrade or new mainstream models introduced in 2018.

Other integrated auto services

Other integrated auto services mainly comprise of repair services, sales of accessories, insurance agency services and others. Others mainly represent the revenue generated from vehicle licensing registration services and registration of title transfer of used vehicles. The table below sets forth the breakdown of revenue from other integrated auto services by category during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Repair services	146,895	56.2	152,477	56.6	172,388	61.3	57,611	66.6	62,292	77.2
Sales of accessories	72,429	27.7	68,813	25.5	71,019	25.2	16,705	19.3	12,142	15.1
Insurance agency services	30,002	11.5	37,019	13.7	27,755	9.9	9,128	10.6	3,605	4.5
Others	12,269	4.6	11,268	4.2	10,213	3.6	3,008	3.5	2,588	3.2
Total	261,595	100.0	269,577	100.0	281,375	100.0	86,452	100.0	80,627	100.0

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Our revenue from other integrated auto services increased by approximately RMB8.0 million, or 3.1%, from approximately RMB261.6 million for the year ended 31 December 2016 to approximately RMB269.6 million for the year ended 31 December 2017, which was primarily attributable to (i) the increase in repair services of approximately RMB5.6 million, or 3.8% which benefited from growing customer base associated with our dealerships which was in line with the growth in sales of motor vehicles; and (ii) the increase in insurance agency services of approximately RMB7.0 million, or 23.4%, mainly due to the increase in sales of new vehicles. The increase was partially offset by the decrease in sales of accessories of approximately RMB3.6 million, or 5.0% which was mainly due to the market competition.

Our revenue from other integrated auto services increased by approximately RMB11.8 million, or 4.4%, from approximately RMB269.6 million for the year ended 31 December 2017 to approximately RMB281.4 million for the year ended 31 December 2018, which was primarily attributable to the increase in repair services of approximately RMB19.9 million, or 13.1%, as benefited from growing customer base associated with our dealerships which was in line with the growth in sales of motor vehicles. This was partially offset by the decrease in insurance agency services of approximately RMB9.3 million, or 25.0%, mainly due to decrease in the commission rate of agency services of the commercial vehicle insurance during the year ended 31 December 2018.

Our revenue from other integrated auto services decreased by approximately RMB5.9 million, or 6.8%, from approximately RMB86.5 million for the four months ended 30 April 2018 to approximately RMB80.6 million for the four months ended 30 April 2019, which was primarily attributable to (i) the decrease in sales of accessories of approximately RMB4.6 million, or 27.3% mainly due to decrease in sales of accessories with higher unit price for the four months ended 30 April 2019 as compared to the four months ended 30 April 2018; and (ii) the decrease in insurance agency services of approximately RMB5.5 million, or 60.5%, mainly due to the decrease in (a) the commission rate of agency services of the commercial vehicle insurance for the four months ended 30 April 2019 when compared to the four months ended 30 April 2018; and (b) the sum insured which was partly due to a particularly low sum insured in February 2019. The decrease was partly offset by the increase in repair services of approximately RMB4.7 million, or 8.1%, which was mainly due to more accident repair services recorded for the four months ended 30 April 2019 as compared to the four months ended 30 April 2018 which usually has a higher price per transaction as compared with the routine repair and maintenance services.

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Cost of sales

The following table sets forth a breakdown of our cost of sales by category for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Cost of motor vehicles	1,556,664	90.9	1,601,751	91.0	1,598,315	90.5	431,665	88.8	455,222	88.6
Cost of spare parts and accessories	130,926	7.6	130,436	7.5	139,955	8.0	46,333	9.5	50,175	9.8
Staff costs	22,445	1.3	23,319	1.3	24,883	1.4	7,922	1.6	7,636	1.5
Depreciation	1,054	0.1	1,561	0.1	640	0.0	226	0.0	230	0.0
Others	1,247	0.1	2,430	0.1	2,140	0.1	660	0.1	754	0.1
Total	<u>1,712,336</u>	<u>100.0</u>	<u>1,759,497</u>	<u>100.0</u>	<u>1,765,933</u>	<u>100.0</u>	<u>486,806</u>	<u>100.0</u>	<u>514,017</u>	<u>100.0</u>

Our cost of sales primarily consists of cost of motor vehicles, cost of spare parts and accessories, staff costs, depreciation, and others. Cost of motor vehicles is the main cost of sales, accounting for approximately 90.9%, 91.0%, 90.5% and 88.6% of our total cost of sales for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. Staff costs mainly comprise of salaries, wages and social insurance costs.

Our cost of motor vehicles increased by approximately RMB45.1 million, or approximately 2.9%, from approximately RMB1,556.7 million for the year ended 31 December 2016 to approximately RMB1,601.8 for the year ended 31 December 2017; decreased by approximately RMB3.5 million, or approximately 0.2%, to approximately RMB1,598.3 million for the year ended 31 December 2018. Our cost of motor vehicles increased by approximately RMB23.5 million, or approximately 5.4%, from approximately RMB431.7 million for the four months ended 30 April 2018 to approximately RMB455.2 million for the four months ended 30 April 2019. Such increase from the year ended 31 December 2016 to the year ended 31 December 2017 was mainly in line with the increase in revenue generated from the sales of motor vehicles, of approximately 4.0%, during such period. The decrease in the cost of motor vehicles from the year ended 31 December 2017 to the year ended 31 December 2018 was mainly due to the increase of approximately 42.3% of the incentive rebates from RMB239.3 million to RMB340.5 million mainly attributable to the increase in incentive rebates of Dongfeng Nissan. The increase in the cost of motor vehicles from the four months ended 30 April 2018 to the four months ended 30 April 2019 was mainly due to (i) the increase in the sales of motor vehicles; and (ii) partially net off by the increase in incentive rebate from approximately RMB63.8 million to RMB139.4 million, mainly attributable to the increase in incentive rebate of Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen.

Our cost of spare parts and accessories slightly decreased by approximately RMB0.5 million, or approximately 0.4%, from approximately RMB130.9 million for the year ended 31 December 2016 to approximately RMB130.4 million for the year ended 31 December 2017; increased by approximately RMB9.6 million, or approximately 7.4%, to approximately RMB140.0 million for the year ended 31 December 2018. Our cost of spare parts and accessories increased by approximately RMB3.9 million, or approximately 8.4%, from approximately RMB46.3 million for the four months ended 30 April 2018 to approximately RMB50.2 million for the four months ended 30 April 2019. Such decrease from the year ended 31 December 2016 to the year ended 31 December 2017 was in line with the changes in revenue generated from sales of accessories during such periods. The increase in the cost of spare parts from the year ended 31 December 2017 to the year ended 31 December 2018 was in line with the increase in revenue from repair services and sales

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of accessories during such period. The increase in the cost of spare parts and accessories from the four months ended 30 April 2018 to the four months ended 30 April 2019 was largely in line with the changes in revenue generated from repair services during such periods.

Our cost of motor vehicles is also affected by the incentive rebates granted by automobile manufacturers. Please refer to the section headed “Business — Our Business Segments — Sales of motor vehicles — Sales of new vehicles — Incentive rebates” in this prospectus for more information. The automobile manufacturers settle the rebates with us from time to time in the form of discount for subsequent new vehicle purchases and discount for subsequent spare parts or accessories purchases. Incentive rebates are accrued at each financial reporting date based on the actual purchase volume and sales volume of passenger vehicles, corresponding rebate rates and amount as agreed with automobile manufacturers. Incentive rebates related to new vehicles already sold are deducted from cost of sales. Conversely, incentive rebates attributable to new vehicles already procured from automobile manufacturers but still held in our inventories on the reporting date are deducted from the carrying value of these inventory items, so that the cost of inventories is recorded net of applicable rebates. During the Track Record Period, as a result of our improved sales performance, we received more incentive rebates of approximately RMB187.6 million, RMB239.3 million, RMB340.5 million and RMB139.4 million for the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively.

Gross profit and gross profit margin

Our gross profit was approximately RMB122.4 million, RMB145.4 million, RMB174.4 million and RMB54.3 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by category for the periods indicated:

	For the year ended 31 December 2016		For the year ended 31 December 2017		For the year ended 31 December 2018		For the four months ended 30 April 2018		For the four months ended 30 April 2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of motor vehicles	16,442	1.0	33,591	2.1	60,621	3.7	13,183	3.0	32,480	6.7
Other integrated auto services										
Repair services	24,816	16.9	29,539	19.4	35,052	20.3	10,925	19.0	11,264	18.1
Sales of accessories	40,084	55.3	36,435	52.9	42,878	60.4	8,909	53.3	5,129	42.2
Insurance agency services	30,002	100.0	37,019	100.0	27,755	100.0	9,128	100.0	3,290	91.3
Others	11,021	89.8	8,838	78.4	8,072	79.0	2,349	78.1	2,149	83.0
Total	122,365	6.7	145,422	7.6	174,378	9.0	44,494	8.4	54,312	9.6

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The following table sets forth a breakdown of our gross profit and gross profit margin in relation to sales of new vehicles by brand for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit		Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	RMB'000	(Note 2)	RMB'000	(Note 2)	RMB'000	(Note 2)	RMB'000	(Note 2)	RMB'000	(Note 2)
		%		%		%		%		%
Dongfeng Nissan	(5,785)	(1.0)	4,065	0.6	33,700	4.1	4,370	2.2	13,223	5.4
FAW Toyota	(7,738)	(3.5)	(1,149)	(0.5)	9,712	4.4	3,796	5.4	4,864	7.3
Beijing Hyundai	9,733	3.7	10,575	6.0	4,459	2.5	954	2.1	4,687	7.9
FAW Volkswagen	8,901	6.6	10,407	7.9	1,550	1.2	4,049	14.2	5,938	14.5
Dongfeng Venucia	7,193	7.5	7,491	6.5	6,408	5.4	362	1.0	1,378	4.2
Chevrolet	2,270	2.8	4,689	4.5	4,322	5.8	(1,277)	(5.1)	852	5.0
Buick	969	0.8	(3,117)	(2.9)	(3,154)	(3.2)	112	0.4	1,124	5.3
Domestic Brand and others ^(Note 1)	20	0.1	(726)	(2.2)	971	17.6	150	7.9	Nil	Nil
Total	15,563	1.0	32,235	2.0	57,968	3.5	12,516	2.8	32,066	6.6

Note:

1. During the Track Record Period, we sold a small number of commercial vehicles including commercial vehicles under the Domestic Brand and a sino-Japanese brand.
2. During the Track Record Period, our Group recorded negative gross profit margins from the sales of certain brands of new vehicles, which was mainly resulted from the relatively lower incentive rebate received and the lowering of selling price in order to reduce inventory of certain models whose market acceptance was relatively unsatisfactory or which new or upgraded models had been introduced.

Our overall gross profit increased by approximately RMB23.0 million, or 18.8%, from approximately RMB122.4 million for the year ended 31 December 2016 to approximately RMB145.4 million for the year ended 31 December 2017. Our gross profit margin increased from approximately 6.7% for the year ended 31 December 2016 to approximately 7.6% for the year ended 31 December 2017, which was mainly due to the increase in gross profit from both sales of motor vehicles of approximately RMB17.1 million and other integrated auto services of approximately RMB5.9 million, which generally has a relatively higher gross profit margin.

In relation to the sales of motor vehicles, our gross profit margin increased from approximately 1.0% for the year ended 31 December 2016 to approximately 2.1% for the year ended 31 December 2017, which was mainly due to the increase in gross profit margin from Beijing Hyundai and Dongfeng Nissan. Beijing Hyundai recorded a relatively higher increase in gross profit margin as compared to other brands, which was mainly due to the higher proportional of incentive rebates offered by the automobile manufacturer in order to stimulate sales in a weaker market due to the anti-South Korea sentiment in the relevant period. The increase in gross profit margin of Dongfeng Nissan was mainly due to our performance in sales of new vehicles in line with incentive rebate targets for the year ended 31 December 2017.

The underlying reasons for the decrease in the gross profit margin of other integrated auto services except repair services, sales of accessories and insurance agency services of 89.8% to 78.4% from the year ended 31 December 2016 to the year ended 31 December 2017 was due to the decrease in revenue in the vehicle licensing registration services.

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Our gross profit from repair services increased by approximately RMB4.7 million, or 19.0%, from approximately RMB24.8 million for the year ended 31 December 2016 to approximately RMB29.5 million for the year ended 31 December 2017. Our gross profit from insurance agency services increased by approximately RMB7.0 million, or 23.3%, from approximately RMB30.0 million for the year ended 31 December 2016 to RMB37.0 million for the year ended 31 December 2017. Our gross profit margin of repair services increased from 16.9% for the year ended 31 December 2016 to 19.4% for the year ended 31 December 2017. As we mainly act as concurrent business insurance agents for insurance companies during the Track Record Period, our Company had historically not had any dedicated insurance agents and thus had not incurred any costs directly attributable to the provision of insurance agency services. Motor vehicle insurances were sold by staff of our 4S dealership outlets without incurring any additional direct costs for the provision of insurance agency services. As a result, our motor vehicle insurance agency services are able to achieve 100% gross profit margin throughout the Track Record Period. The increase in our gross profit and gross profit margin of repair service and insurance agency services was primarily due to (i) the increase in revenue from repair services and insurance as benefited from the growing customer base during the relevant period; and (ii) the cost of spare parts decreased as suppliers offered competitive prices in the midst of competition.

The decrease in our gross profit from sales of accessories by approximately RMB3.7 million, or 9.2%, from approximately RMB40.1 million for the year ended 31 December 2016 to approximately RMB36.4 million for the year ended 31 December 2017. The decrease in gross profit of accessories was mainly due to the intense competition, which is line with the decrease in revenue.

Our overall gross profit increased by approximately RMB29.0 million, or 19.9%, from approximately RMB145.4 million for the year ended 31 December 2017 to approximately RMB174.4 million for the year ended 31 December 2018. Our gross profit margin increased from approximately 7.6% for the year ended 31 December 2017 to approximately 9.0% for the year ended 31 December 2018, which was mainly due to increase in gross profit margin from sales of motor vehicles, which was partially offset by the slightly decrease in gross profit margin from provision for other integrated auto services with the reasons explained below.

In relation to the sales of motor vehicles, our gross profit margin increased from approximately 2.1% for the year ended 31 December 2017 to approximately 3.7% for the year ended 31 December 2018, which was mainly due to increased gross profit contribution from Dongfeng Nissan from sales of automobiles for the year ended 31 December 2018. Sales of Dongfeng Nissan vehicles recorded a relatively higher gross profit margin due to more incentive rebates offered by the automobile manufacturer during the year ended 31 December 2018, reflecting strong competition as Dongfeng Nissan lost market share compared to that of 2017.

Our gross profit from repair services increased by approximately RMB5.6 million, or 19.0%, from approximately RMB29.5 million for the year ended 31 December 2017 to approximately RMB35.1 million for the year ended 31 December 2018. The increase in our gross profit and gross profit margin of repair services was mainly due to (i) increase in revenue from repair services and (ii) the costs of repair services increased at a proportion less than the increase in relevant revenue. Our gross profit margin of repair services increased from 19.4% for the year ended 31 December 2017 to 20.3% for the year ended 31 December 2018. Our gross profit from insurance agency services decreased by approximately RMB9.2 million, or 24.9%, from approximately RMB37.0 million for the year ended 31 December 2017 to RMB27.8 million for the year ended 31 December 2018. The decrease in the gross profit of insurance agency services was mainly due to the decrease in the commission rate of agency services of the commercial vehicle insurance during the year ended 31 December 2018. The gross profit margin of insurance agency services remained stable.

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In relation to the sales of accessories, our gross profit increased by approximately RMB6.5 million, or 17.9% from approximately RMB36.4 million for the year ended 31 December 2017 to approximately RMB42.9 million for the year ended 31 December 2018, while the gross profit margin increased from 52.9% to 60.4%, which was attributed to the increase in revenue of the sales of accessories bolstered by a portfolio of better performing inventory mix.

Our overall gross profit increased by approximately RMB9.8 million, or 22.0%, from approximately RMB44.5 million for the four months ended 30 April 2018 to approximately RMB54.3 million for the four months ended 30 April 2019. Our gross profit margin increased from approximately 8.4% for the four months ended 30 April 2018 to approximately 9.6% for the four months ended 30 April 2019, which was mainly due to increase in gross profit margin from sales of motor vehicles from 3.0% to 6.7%, which was partly offset by the decrease in the gross profit margin from other integrated auto services from 36.2% to 27.1%.

In relation to the sales of motor vehicles, our gross profit margin increased from approximately 3.0% for the four months ended 30 April 2018 to approximately 6.7% for the four months ended 30 April 2019, which was mainly due to the increase of incentive rebate of approximately RMB75.6 million, primarily attributable to Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen. The increase in rebate was primarily attributable to the following factors, including:

- (i) the increment of the rebate per unit for certain models for existing incentive schemes offered for the four months ended 30 April 2019, as compared to the four months ended 30 April 2018, which was mainly due to the relevant manufacturers intention to encourage dealers to maintain/increase sales volume of relevant models during that period. Particularly (a) in terms of models, mainly for nine out of 11, six out of 12 and five out of ten models of Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen we sold in the four months ended 30 April 2019, respectively, there was increment in the rebate amount per vehicle based on the purchase or sales volume; and (b) in terms of tiers, the amount of rebate per vehicle granted on the achievement of certain tier of overall sales performance was also higher for FAW Volkswagen during the four months ended 30 April 2019 as compared to the same period in 2018;
- (ii) increase in rebates awarded in relation to the purchase and sales volume performance of our Group for the relevant brands during the four months ended 30 April 2019, which was mainly due to our Group's relatively strong performance during the period. In particular, there was an increase in sales volume of (a) 477 units of vehicles of Dongfeng Nissan, representing an increase of approximately 23.6%; (b) 217 units of vehicles of Beijing Hyundai, representing an increase of approximately 44.1%; and (c) 108 units of vehicles of FAW Volkswagen, representing an increase of approximately 43.9%, for the four months ended 30 April 2019 when compared to the corresponding period in 2018;

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- (iii) additional performance-related rebates awarded based on the new incentive policies, i.e. the effective monthly, bi-monthly or quarterly (as the case maybe) rebate schemes of Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen during the four months ended 30 April 2019, which included (a) new incentive scheme offered based on purchase or sales volume for five out of 11 models, five out of 12 models and all ten models we sold in the four months ended 30 April 2019 for Dongfeng Nissan, Beijing Hyundai and FAW Volkswagen respectively as compared to the same period in 2018; (b) additional tier assessed and awarded during the four months ended 30 April 2019, as compared to the four months ended 30 April 2018; and (c) additional types of rebates offered based on our purchase/sales volume to reward our performance on gaining market share and delivering new registered vehicle to incentivise dealers during on economic slowdown.

Our gross profit from repair services increased by approximately RMB0.4 million, or 3.7%, from approximately RMB10.9 million for the four months ended 30 April 2018 to RMB11.3 million for the four months ended 30 April 2019, and our gross profit margin remained stable at 19.0% and 18.1% respectively for the four months ended 30 April 2018 and 2019. Our gross profit from insurance agency services decreased by approximately RMB5.8 million, or 63.7%, from approximately RMB9.1 million for the four months ended 30 April 2018 to RMB3.3 million for the four months ended 30 April 2019. The decrease in the gross profit of insurance agency services was mainly due to the decrease in revenue generated from insurance agency services during the period. Our gross profit margin of insurance agency services decreased from 100% for the four months ended 30 April 2018 to 91.3% for the four months ended 30 April 2019. The decrease in the gross profit margin of insurance agency services was mainly due to the directly attributable costs in relation to the provision of insurance agency services recognised for Chuangcheng Insurance, a subsidiary of our Group which principally engages in insurance agency business during the four months ended 30 April 2019.

In relation to the sales of accessories, our gross profit decreased by approximately RMB3.8 million, or 42.7% from approximately RMB8.9 million for the four months ended 30 April 2018 to approximately RMB5.1 million for the four months ended 30 April 2019, while the gross profit margin decreased from 53.3% to 42.2%, which mainly due to the intense competition, which is in line with the decrease in revenue generated from the sales of accessories during the period.

Other income and gains

Other income and gains primarily consist of (i) gain on disposal of items of property, plant and equipment generated mainly from disposal of test drive motor vehicles; (ii) commission income mainly consists of other value-add services such as assisting our customer releasing their car pledge after full repayment of the car loan and refer potential customers who require financial leasing service to third party financiers for vehicle financing; (iii) advertisement support received from automobile manufacturers for the advertising activities we offer to promote their motor vehicles; (iv) interest income from our bank deposits; and (v) government grant released being the funds for hosting of vehicles exhibitions and other promotional activities received from the PRC government authorities.

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

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Gain on disposal of items of property, plant and equipment	1,621	20.2	2,327	28.6	532	4.2	375	9.1	301	7.3
Commission income	1,536	19.2	1,181	14.5	1,815	14.3	1,050	25.5	1,295	31.5
Advertisement support received from manufacturers	1,196	14.9	1,528	18.8	1,318	10.4	315	7.6	376	9.1
Interest income	1,025	12.8	777	9.6	2,879	22.7	1,374	33.3	735	17.9
Government grant released	609	7.6	759	9.3	953	7.5	27	0.7	20	0.5
Others	2,023	25.3	1,561	19.2	5,201	40.9	985	23.8	1,383	33.7
Total	8,010	100.0	8,133	100.0	12,698	100.0	4,126	100.0	4,110	100.0

Selling and distribution expenses

Our selling of motor vehicles and distribution expenses primarily consist of (i) salary and wages of sales personnel and after-sales personnel (other than repair technicians); (ii) advertising expenses; (iii) depreciation and amortisations of property and equipment for the operation of sales of motor vehicles; (iv) travelling and transportation expense; and (v) office expenses including utility expenses and telephone expenses.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Salary and wages	29,422	60.4	34,426	66.9	38,944	65.8	13,519	68.9	13,445	66.4
Advertising	10,153	20.8	7,705	15.0	9,741	16.4	2,276	11.6	2,872	14.2
Depreciation and amortisation	5,774	11.9	4,910	9.5	4,135	7.0	1,512	7.7	1,550	7.7
Transportation	1,756	3.6	2,025	3.9	2,508	4.2	832	4.2	735	3.6
Office	1,049	2.2	1,940	3.8	3,022	5.1	959	4.9	1,075	5.3
Others	545	1.1	473	0.9	874	1.5	538	2.7	560	2.8
Total	48,699	100.0	51,479	100.0	59,224	100.0	19,636	100.0	20,237	100.0

Our selling and distribution expenses was approximately RMB48.7 million, RMB51.5 million, RMB59.2 million and RMB20.2 million, representing approximately 2.7%, 2.7%, 3.1% and 3.6% of our revenue for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Administrative expenses

Our administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) property repair and maintenance expense; (iii) listing expenses; (iv) depreciation and amortisation (including depreciation of right-of-use assets); (v) sundry expense such as utility expenses and telephone expense; (vi) taxation; and (vii) bank charges.

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The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Salary and wages	19,443	38.8	21,865	42.1	26,807	40.2	7,262	40.9	6,917	31.2
Listing expenses	—	—	—	—	7,430	11.1	—	0.0	4,927	22.2
Depreciation and amortisation	8,792	17.5	9,082	17.5	9,499	14.3	3,145	17.7	3,817	17.2
Repair and maintenance	3,488	7.0	4,832	9.3	4,566	6.8	1,543	8.7	1,373	6.2
Sundry expense	13,642	27.2	12,814	24.6	14,016	21.0	4,387	24.7	4,461	20.1
Taxation	2,285	4.6	1,735	3.3	1,683	2.5	509	2.8	34	0.2
Bank charges	1,695	3.4	1,243	2.4	1,589	2.4	908	5.1	495	2.2
Others	752	1.5	399	0.8	1,134	1.7	12	0.1	149	0.7
Total	50,097	100.0	51,970	100.0	66,724	100.0	17,766	100.0	22,173	100.0

Our administrative expense were approximately RMB50.1 million, RMB52.0 million, RMB66.7 million and RMB22.2 million, representing approximately 2.7%, 2.7%, 3.4% and 3.9% of our revenue for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

Other expenses

Our other expenses primarily consist of (i) loss recognised in respect of property, plant and equipment; (ii) fines and surcharges, and (iii) others sundry expenses.

The following table sets forth a breakdown of other expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Losses on disposals of property, plant and equipment	122	8.6	128	14.3	66	10.5	0	0.0	194	73.2
Impairment loss recognised/ (reversed) in respect of trade receivables	12	1.0	(8)	(1.0)	16	2.5	0	0.0	0	0.0
Fines and surcharge	545	38.4	102	11.4	35	5.5	26	26.5	65	24.5
Others	741	52.0	676	75.3	516	81.5	72	73.5	6	2.3
Total	1,420	100.0	898	100.0	633	100.0	98	100.0	265	100.0

Our other expenses were approximately RMB1.4 million, RMB0.9 million, RMB0.6 million and RMB0.3 million, representing approximately less than 0.1% of our total revenue for the respective years during Track Record Period.

We had incurred surcharges on late or insufficient payment of tax of approximately RMB0.2 million, RMB8,000, RMB1,000 and RMB23 for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, primarily in relation to enterprise income tax (“EIT”), value added tax (“VAT”), property tax and others (i.e. stamp duty tax, urban construction and maintenance tax, urban land utilisation tax, individual income tax and administrative penalties on late payment) of the relevant years of assessment before Track Record

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Period, which has been fully settled subsequently. Such late or insufficient payment of tax was mainly due to the inadequate understanding of the relevant tax regulatory requirements possessed by the relevant staff who had been responsible for our tax filing matters. As advised by our PRC Legal Advisers, the surcharge for any late or insufficient payment of tax is the lower of (i) the amount calculated on a daily basis at the rate of 0.05% of the amount of tax in arrears, from the date the tax payment is defaulted, pursuant to the Tax Collection Administration Law of the People's Republic of China (2015 Amendment) promulgated by the State Administration of Taxation; and (ii) the amount of tax in arrears, pursuant to the Administrative Coercion Law of the People's Republic of China. Our PRC Legal Advisers are of the view that, the likelihood of our Group being required to pay any additional taxes, interest, penalties or surcharge in relation to these incidents in the future is remote.

Finance costs

Our finance costs consist of interests on bank borrowings, which amounted to approximately RMB7.1 million, RMB5.8 million and RMB7.0 million for the three years ended 31 December 2018, respectively. Our finance costs amounted to approximately RMB1.7 million and RMB4.3 million for the four months ended 30 April 2018 and 30 April 2019 respectively. The decrease in our finance cost for the year ended 31 December 2017 compared to the year ended 31 December 2016 was mainly due to the decrease in our bank borrowings. Our finance cost for the year ended 31 December 2018 then increased again as our Group had new borrowings in 2018. The further increase in our finance cost for the four months ended 30 April 2019 compared to the four months ended 30 April 2018 was mainly due to the increase in interest-bearing bank borrowings.

Income tax expense

Pursuant to the rules and regulations of the Cayman Islands, our Company as exempted company with limited liability incorporated in the Cayman Islands is not subject to any income tax in the Cayman Islands.

No provision for Hong Kong profit tax has been made as our Group had no assessable profits made in Hong Kong during the Track Record Period.

Pursuant to the PRC Corporate Income Tax Law and other applicable regulations, our PRC subsidiaries were subject to income tax at a statutory rate of 25% for the Track Record Period. Our effective tax rate for the three years ended 31 December 2018 and the four months ended 30 April 2019 was approximately 36.1%, 29.4%, 35.6% and 49.1%, respectively.

Our effective tax rate were higher than the PRC statutory tax rate during the Track Record Period. Effective tax rate was increased by certain expenses including entertainment expenses which were non-deductible for taxation purposes and certain tax losses which were not recognised in accordance with the applicable accounting standards, and was decreased by the tax losses from previous periods which were utilised during the Track Record Period.

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PERIOD TO PERIOD COMPARISON

Four months ended 30 April 2019 compared to four months ended 30 April 2018

Revenue

Please refer to the paragraph headed “Description of major components of our results of operation — Revenue” in this section for the description of changes in revenue of our Group for the four months ended 30 April 2018 and 30 April 2019.

Cost of sales

Please refer to the paragraph headed “Description of major components of our results of operation — Cost of sales” in this section for the description of changes in revenue of our Group for the four months ended 30 April 2018 and 2019.

Gross profit and gross profit margin

Please refer to the paragraph headed “Description of major components of our results of operation — Gross profit and gross profit margin” in this section for the description of changes in revenue of our Group for the four months ended 30 April 2018 and 2019.

Other income and gains

Our other income and gains remained stable at approximately RMB4.1 million for the four months ended 30 April 2018 and the four months ended 30 April 2019.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB0.6 million, or 3.1%, from approximately RMB19.6 million for the four months ended 30 April 2018 to approximately RMB20.2 million for the four months ended 30 April 2019.

The increase in selling and distribution expenses for the four months ended 30 April 2019 was primarily due to the increase in advertising expenses of approximately RMB0.6 million for Dongfeng Nissan for the four months ended 30 April 2019 as compared to the four months ended 30 April 2018.

Administrative expenses

Our administrative expenses increased by approximately RMB4.4 million, or 24.7% from approximately RMB17.8 million for the four months ended 30 April 2018 to approximately RMB22.2 million for the four months ended 30 April 2019, primarily due to (i) the increase in the listing expense of approximately RMB4.9 million for the four months ended 30 April 2019; and partially offset by (ii) the decrease in salary and wages expense of approximately RMB0.3 million due to the reduced number of our staff for the four months ended 30 April 2019 when compared to the four months ended 30 April 2018.

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Other expenses

Our other expenses increased by approximately RMB0.2 million or 200.0%, from approximately RMB0.1 million for the four months ended 30 April 2018 to approximately RMB0.3 million for the four months ended 30 April 2019.

Finance costs

Our finance costs increased by approximately RMB2.6 million, or 152.9% from approximately RMB1.7 million for the four months ended 30 April 2018 to approximately RMB4.3 million for the four months ended 30 April 2019 which was mainly due to the increase in bank borrowings for the four months ended 30 April 2019.

Income tax expenses

Our income tax increased by approximately RMB0.4 million, or 7.7%, from approximately RMB5.2 million for the four months ended 30 April 2018 to approximately RMB5.6 million for the four months ended 30 April 2019 primarily attributable to the increase in profit before tax from approximately RMB9.4 million for the four months ended 30 April 2018 to approximately RMB11.5 million for the four months ended 30 April 2019.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately RMB1.6 million, or 38.1% from approximately RMB4.2 million for the four months ended 30 April 2018 to approximately RMB5.8 million for the four months ended 30 April 2019. Our net profit margin for the four months ended 30 April 2018 and the four months ended 30 April 2019 remained relatively stable at approximately 0.8% and 1.0%, respectively.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Please refer to the paragraph headed “Description of major components of our results of operation — Revenue” in this section for the description of changes in revenue of our Group for the two years ended 31 December 2017 and 2018.

Cost of sales

Please refer to the paragraph headed “Description of major components of our results of operation — Cost of sales” in this section for the description of changes in revenue of our Group for the two years ended 31 December 2017 and 2018.

Gross profit and gross profit margin

Please refer to the paragraph headed “Description of major components of our results of operation — Gross profit and gross profit margin” in this section for the description of changes in revenue of our Group for the two years ended 31 December 2017 and 2018.

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Other income and gains

Our other income and gains increased by approximately RMB4.6 million, or 56.8%, from approximately RMB8.1 million for the year ended 31 December 2017 to approximately RMB12.7 million for the year ended 31 December 2018. The increase was primarily due to (i) the increase in interest income of RMB2.1 million from pledged deposits; and (ii) the increase in others of approximately RMB3.6 million which primarily represents the service fees we received in relation to the arrangement of vehicle financing during the year ended 31 December 2018. This was partially offset by the decrease in gain on disposal of test drive motor vehicles of approximately RMB1.8 million as the number of test drive motor vehicles disposed reduced in 2018.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB7.7 million, or 15.0%, from approximately RMB51.5 million for the year ended 31 December 2017 to approximately RMB59.2 million for the year ended 31 December 2018.

The increase in selling and distribution expenses for the year ended 31 December 2018 was primarily due to (i) the increase in salary and wages as a result of the rise in performance-based remuneration of sales personnel in view of revenue increase of approximately RMB4.5 million, or 13.1%, and (ii) the increase in advertising expenses of approximately RMB2.0 million, or 26.4% as a result of the increase in advertising expenses in relation to Dongfeng Nissan, as well as the increase of the office expenses of approximately RMB1.1 million due to the subscription fees paid to a third party data base for utilising the statistics and user data collected through online channels.

Administrative expenses

Our administrative expenses increased by approximately RMB14.7 million, or 28.3% from approximately RMB52.0 million for the year ended 31 December 2017 to approximately RMB66.7 million for the year ended 31 December 2018, primarily due to (i) listing expenses of approximately RMB7.4 million incurred; and (ii) an increase in the salary and wages of administrative staff of approximately RMB4.9 million as a result of the rise in performance-based remuneration of administrative staff in view of revenue increase.

Other expenses

Our other expense decreased by approximately RMB0.3 million, or 33.3%, from approximately RMB0.9 million for the year ended 31 December 2017 to approximately RMB0.6 million for the year ended 31 December 2018.

Finance costs

Our finance costs increased by approximately RMB1.2 million, or 20.7% from approximately RMB5.8 million for the year ended 31 December 2017 to approximately RMB7.0 million for the year ended 31 December 2018 primarily due to the new borrowings in 2018.

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Income tax expenses

Our income tax increased by approximately RMB6.3 million, or 49.2%, from approximately RMB12.8 million for the year ended 31 December 2017 to approximately RMB19.1 million for the year ended 31 December 2018 primarily attributable to the increase in non-deductible expenses of approximately RMB3.8 million.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately RMB3.7 million, or 12.1% from approximately RMB30.7 million for the year ended 31 December 2017 to approximately RMB34.4 million for the year ended 31 December 2018. Our net profit margin for the year ended 31 December 2017 and the year ended 31 December 2018 remained relatively stable at approximately 1.6% and 1.8%, respectively.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Please refer to the paragraph headed “Description of major components of our results of operation — Revenue” in this section for the description of changes in revenue of our Group for the two years ended 31 December 2016 and 2017.

Cost of sales

Please refer to the paragraph headed “Description of major components of our results of operation — Cost of sales” in this section for the description of changes in revenue of our Group for the two years ended 31 December 2016 and 2017.

Gross profit and gross profit margin

Please refer to the paragraph headed “Description of major components of our results of operation — Gross profit and gross profit margin” in this section for the description of changes in revenue of our Group for the two years ended 31 December 2016 and 2017.

Other income and gains

Our other income and gains increased by approximately RMB0.1 million, or 1.3%, from approximately RMB8.0 million for the year ended 31 December 2016 to RMB8.1 million for the year ended 31 December 2017, primarily attributable to the increase in gain on disposal of items of property, plant and equipment of approximately RMB0.7 million and the increase in advertisement subsidy received from automobile manufacturers of approximately RMB0.3 million was partially offset by the decrease in commission income of approximately RMB0.4 million which was mainly due to less customers releasing their car pledge after full repayment of the car loan.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB2.8 million, or 5.7%, from approximately RMB48.7 million for the year ended 31 December 2016 to approximately RMB51.5 million for the year ended 31 December 2017. The increase was primarily due to the increase in salary and wages as a result of the rise in performance-based remuneration of sales

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personnel in view of revenue increase of approximately RMB5.0 million. This was partially offset by the decrease in advertising expenses of approximately RMB2.5 million which was primarily due to our use of cost-efficient social media tools and online marketing platforms.

Administrative expenses

Our administrative expenses increased by approximately RMB1.9 million, or 3.8% from approximately RMB50.1 million for the year ended 31 December 2016 to approximately RMB52.0 million for the year ended 31 December 2017, primarily due to (i) an increase in the salary and wages of administrative staff of approximately RMB2.4 million as a result of the rise in performance-based remuneration in view of revenue increase; and (ii) an increase in property repair and maintenance expense of approximately RMB1.3 million, which was partially offset by the decrease in (i) the sundry expense of approximately RMB0.8 million, (ii) the decrease in taxation of approximately RMB0.6 million, and (iii) the decrease in bank charges of approximately RMB0.5 million.

Other expenses

Our other expenses decreased by approximately RMB0.5 million, or 35.7% from approximately RMB1.4 million for the year ended 31 December 2016 to approximately RMB0.9 million for the year ended 31 December 2017 primarily due to the non-recurring nature of (i) the surcharge of approximately RMB0.3 million to FAW Volkswagen for our late collection of inventories from FAW Volkswagen Sales Limited Liability Company in 2016; and (ii) the surcharge of approximately RMB0.2 million primarily attributable to the late or insufficient payment of tax in 2016.

Finance costs

Our finance costs decreased by approximately RMB1.3 million, or 18.3% from approximately RMB7.1 million for the year ended 31 December 2016 to approximately RMB5.8 million for the year ended 31 December 2017, primarily due to the decrease in bank borrowings.

Income tax expenses

Our income tax increased by approximately RMB4.5 million, or 54.2%, from approximately RMB8.3 million for the year ended 31 December 2016 to approximately RMB12.8 million for the year ended 31 December 2017 which was in line with the increase in our gross profit of approximately RMB23.1 million.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB15.9 million, or 107.4%, from approximately RMB14.8 million for the year ended 31 December 2016 to approximately RMB30.7 million for the year ended 31 December 2017. Our net profit margin increased from approximately 0.8% for the year ended 31 December 2016 to approximately 1.6% for the year ended 31 December 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for purchases of passenger vehicles, spare parts and accessories, to fund our working capital and normal recurring expenses, to fund the capital expenditures in connection with the establishment of new dealerships and to repay our indebtedness. We maintain our liquidity through a combination of cash flows generated from our operating

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activities, capital injections and loans and borrowings. Upon Listing, our source of funds will be a combination of internal generated funds, bank borrowings and net proceeds from the Global Offering.

The following table is a condensed summary of our consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movement in working capital	45,087	63,740	74,858	16,404	23,271
Net cash flows from/(used in) operating activities	97,830	(22,531)	(8,702)	(21,319)	37,392
Net cash flows (used in) investing activities	(13,612)	(1,716)	(21,812)	(5,628)	(10,618)
Net cash flows (used in)/ from financing activities	(34,575)	8,242	9,443	(19,976)	(61,639)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	49,643	(16,005)	(21,071)	(46,923)	(34,865)
Cash and cash equivalents at beginning of year	37,480	87,123	71,118	71,118	50,047
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>87,123</u>	<u>71,118</u>	<u>50,047</u>	<u>24,195</u>	<u>15,182</u>

Cash flows from or used in operating activities

Cash flows from operating activities primarily from sales of the motor vehicles and providing other integrated auto services. Cash flows used in operating activities are primarily for the purchase of inventories including passenger vehicles, spare parts and accessories.

During the Track Record Period, the differences between our profit before tax and our net cash used in or generated from operating activities were mainly due to the differences between amount and timing of receipts from our customers and the amount and timing of payments to our suppliers.

For the four months ended 30 April 2019, we recorded net cash from operating activities of approximately RMB37.4 million, consisting of cash generated from operations of approximately RMB41.1 million and interest received of approximately RMB0.7 million less corporate income tax paid of approximately RMB4.5 million. Cash generated from operations was primarily a combined

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result of operating cash inflow from profit before tax as adjusted by certain non-cash adjustments of approximately of RMB23.2 million, and change in working capital of approximately RMB17.8 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately RMB11.5 million, adjusted by the non-cash items of approximately RMB11.8 million, which mainly includes (i) the addition of finance costs of approximately RMB4.3 million; (ii) addition of depreciation of approximately RMB4.2 million; (iii) addition of depreciation of right-of-use assets of approximately RMB2.8 million; and (iv) addition of write-down of inventories to net realisable value of approximately RMB1.6 million.

The movements in working capital primarily reflected (i) a decrease in prepayments, other receivables and other assets of approximately RMB14.2 million which mainly represents decrease in prepayment of approximately RMB15.7 million due to the delivery of the inventories before the end of the relevant period; (ii) decrease in pledged deposits of approximately RMB48.0 million mainly due to the decrease in use of bills in settling our purchases of new vehicles, spare parts and accessories from our automobile manufacturers; and partially offset by (iii) decrease in trade and bill payables of approximately RMB41.8 million, the increase in inventories of approximately RMB4.5 million and the increase in amount due from related companies of approximately RMB1.7 million due to the continuing connected transactions under the Vehicle Sale and Purchase Framework Agreement between our Company and New Century Car Rental.

For the year ended 31 December 2018, we recorded net cash used in operating activities of approximately RMB8.7 million, consisting of cash generated from operations of approximately RMB1.6 million and interest received of approximately RMB2.9 million less corporate income tax paid of approximately RMB13.2 million. Cash used in operations was primarily a combined result of operating cash inflow from profit before tax as adjusted by certain non-cash adjustment of approximately of RMB74.9 million, and change in working capital of approximately RMB73.2 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately RMB53.5 million, adjusted by the non-cash items of approximately RMB21.4 million which mainly includes (i) addition of finance costs of approximately RMB7.0 million; (ii) deduction of interest income of approximately RMB2.9 million; and (iii) addition of depreciation of approximately RMB12.4 million.

Despite we recorded operating cash inflow before movements in working capital of approximately RMB74.9 million for the year ended 31 December 2018, the change in working capital has led to our negative net operating cashflow during the year, which was mainly resulted from the significant increase in our inventory balance of new passenger vehicles as at 31 December 2018 as compared to that of 31 December 2017, while we increased the use of banking facilities (which was reflected in our cash inflow from financing activities) in settling such purchase. Details of the movements in working capital are discussed as follows:

- (a) the increase in inventories of approximately RMB72.2 million which mainly reflected the increase in purchase of passenger vehicles in order to maintain a sufficient stock level of new motor vehicles of various brands, in particular Dongfeng Nissan, due to the expected increasing demand;
- (b) the increase in prepayments, other receivables and other assets of approximately RMB22.1 million which was primarily due to the increase in incentive rebate receivables from our automobile manufacturers as a result of our increase in incentive rebates of approximately RMB101.2 million and the increase in the balance of VAT recoverable from our purchases;

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- (c) the decrease in trade and bills payables of approximately RMB34.3 million, which was attributed to (i) the increase in settlement of amounts due to suppliers on our purchases of new vehicles, spare parts and auto accessories; and (ii) the decrease in our use of bills and increase in our use of banking facilities (which is reflected under our cash flows from financing activities) in settling our purchases of new vehicles, spare parts and auto accessories; and
- (d) it was partially offset by the decrease in pledged deposits of approximately RMB19.7 million due to decrease of bills payables and increase in contract liabilities which represent advances from our customers of approximately RMB28.5 million arising from our increase in revenue.

For the year ended 31 December 2017, we recorded net cash used in operating activities of approximately RMB22.5 million, consisting of cash used in operations of approximately RMB14.1 million and interest received of approximately RMB0.8 million less corporate income tax paid of approximately RMB9.2 million. Cash used in operations was primarily a combined result of operating cash inflow from profit before tax as adjusted by certain non-cash adjustments of approximately of RMB63.7 million, and change in working capital of approximately RMB77.8 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately RMB43.4 million, adjusted by the non-cash items of approximately RMB20.3 million which mainly includes (i) addition of finance costs of approximately RMB5.8 million; (ii) deduction of gain on disposal of items of property, plant and equipment of approximately RMB2.3 million; (iii) addition of depreciation of approximately RMB12.8 million; and (iv) addition of depreciation of right-of-use assets of approximately RMB4.3 million.

Despite recording operating cash inflow before movements in working capital of approximately RMB63.7 million for the year ended 31 December 2017, the change in working capital has led to our negative net operating cashflow during the year, which was mainly attributed to the significant decrease in our bills payable from approximately RMB180.5 million as at the year ended 31 December 2016 to approximately RMB112.0 million as at the year ended 31 December 2017 as we increased the use of banking facilities (which was reflected in our cash inflow from financing activities) in settling our inventory purchases and thus less bills were used during the year. Details of the movements in working capital are discussed as follows:

- (a) the decrease in inventories, vehicles in particular, of approximately RMB6.4 million due to our increase in revenue generated from sales of motor vehicles;
- (b) the increase in prepayments, other receivables and other assets of approximately RMB19.7 million which was primarily attributed to the increase in incentive rebate receivables from our automobile manufacturers as a result of our increase in incentive rebates of approximately RMB51.7 million;
- (c) increase in pledged deposits of approximately RMB3.2 million; and
- (d) the decrease in trade and bills payables of approximately RMB55.5 million which was attributed to the settlement of amounts due to automobile manufacturers on our purchase of new vehicles and the decrease in our use of bills and increase in our use of banking facilities in settling our purchases of new vehicles, spare parts and auto accessories.

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For the year ended 31 December 2016, we recorded net cash from operating activities of approximately RMB97.8 million, consisting of cash generated from operations of approximately RMB102.3 million and interest received of approximately RMB1.0 million less corporate income tax paid of approximately RMB5.5 million. Cash generated from operations was primarily a combined result of operating cash inflow from profit before tax as adjusted by certain non-cash adjustments of approximately of RMB45.1 million, and change in working capital of approximately RMB57.2 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately RMB23.1 million, adjusted by the non-cash items of approximately RMB22.0 million, which mainly includes (i) addition of finance costs of approximately RMB7.1 million; (ii) deduction of interest income of approximately RMB1.0 million; (iii) deduction of gain on disposal of items of property, plant and equipment of approximately RMB1.6 million; and (iv) addition of depreciation of approximately RMB12.8 million.

The movements in working capital primarily reflected (i) an decrease in inventories of approximately RMB68.3 million; (ii) decrease in trade receivables of approximately RMB2.2 million; (iii) decrease in prepayments, other receivables and other assets which represent prepayment we make to automobile manufacturers for purchase of new vehicles, incentive rebates receivables and deposits paid to automobile manufacturers for inventories purchase of approximately RMB11.2 million; (iv) increase in trade and bill payables of approximately RMB2.8 million; and (v) increase in contract liabilities which represent advances from our customers of approximately RMB6.5 million, partially offset by the increase in pledged deposits of approximately RMB22.3 million and the decrease in other payables and accruals of approximately RMB11.4 million.

Cash flows from or used in investing activities

Cash flows used investing activities primarily consist of purchases of property, plant and equipment and proceeds from disposal of items of property.

For the four months ended 30 April 2019, we recorded net cash used in investing activities of approximately RMB10.6 million, consisting primarily of purchases of items of property, plant and equipment of approximately RMB12.1 million which reflects the construction in progress of our Jaguar and Land Rover 4S dealership outlet and our Chevrolet 4S dealership outlet and the leasehold improvement of our FAW Toyota 4S dealership outlet, partially offset by the proceeds from disposal of items of property, plant and equipment of approximately RMB1.5 million.

For the year ended 31 December 2018, we recorded net cash used in investing activities of approximately RMB21.8 million, consisting primarily of purchases of items of property, plant and equipment of approximately RMB42.0 million primarily for establishing our Jaguar and Land Rover outlet, partially offset by the proceeds from disposal of items of property, plant and equipment of approximately RMB20.2 million.

For the year ended 31 December 2017, we recorded net cash used in investing activities of approximately RMB1.7 million, consisting primarily of payment for purchase of property, plant and equipment of approximately RMB9.6 million, which was partially offset by proceeds from disposal of property, plant and equipment of approximately RMB7.9 million.

For the year ended 31 December 2016, we recorded net cash used in investing activities of approximately RMB13.6 million, consisting primarily of payment for purchase of property, plant and equipment of approximately RMB19.9 million primarily for the commencement of the new 4S

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dealership outlet for Dongfeng Nissan and Dongfeng Venucia brands in October 2016, which was partially offset by proceeds from disposal of property, plant and equipment of approximately RMB6.3 million.

Cash flows from financing activities

Our cash flows used in financing activities primarily included (i) new bank and other borrowings; (ii) repayment of bank and other borrowings; (iii) amount due to a director; (iv) amount due to related companies for the acquisition of certain PRC subsidiaries from one of our Controlling Shareholders, Mr. Law, during our Reorganisation; (v) dividend paid; and (vi) principal portion of lease payments.

For the four months ended 30 April 2019, we recorded net cash flows used in financing activities of approximately RMB61.6 million, primarily reflecting repayment of bank borrowings of approximately RMB22.0 million, decrease in an amount due to a director of approximately RMB118.8 million due to repayment of the advances from Mr. Law, our Director and Controlling Shareholder, payment for reorganisation of approximately RMB34.0 million reflecting the acquisition of the equity interests of various PRC subsidiaries of our Group under the Reorganisation and dividend paid of approximately RMB19.1 million. This was offset by the new bank borrowings of approximately RMB147.2 million.

For the year ended 31 December 2018, we recorded net cash flows from financing activities of approximately RMB9.4 million, primarily reflecting new bank borrowings of approximately RMB212.4 million. This was partially offset by repayment of bank borrowings of approximately RMB109.2 million, dividends paid of approximately RMB60.1 million, increase in amount due from related companies of approximately RMB18.0 million arising from the corporate division of Dongri Automobile, and the acquisition of the minority interests in Chuangxian Automobile and the corporate division of Dongri Automobile of approximately RMB15.0 million.

For the year ended 31 December 2017, we recorded net cash flows from financing activities of approximately RMB8.2 million, primarily reflecting new bank borrowings of approximately RMB77.0 million and increase in an amount due to a director of approximately RMB20.0 million. This was partially offset by repayment of bank borrowings of approximately RMB82.0 million.

For the year ended 31 December 2016, we recorded net cash flows used in financing activities of approximately RMB34.6 million, primarily reflecting repayment of bank borrowings of approximately RMB129.9 million. This was partially offset by new bank borrowings of approximately RMB89.5 million.

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NET CURRENT ASSETS

Details of our current assets and current liabilities as at the dates indicated are as follows:

	As at 31 December			As at	As at
	2016	2017	2018	30 April	31 July
	RMB'000	RMB'000	RMB'000	2019	2019
				RMB'000	RMB'000
CURRENT ASSETS					
Inventories	177,938	171,028	242,682	245,527	215,384
Trade receivables	1,373	606	2,144	1,747	2,715
Prepayments, other receivables and other assets	121,911	136,028	158,658	145,639	149,133
Amounts due from related companies	1,900	1,600	19,586	26,572	41,851
Pledged deposits	103,462	106,693	87,000	39,000	48,000
Cash and cash equivalents	<u>87,123</u>	<u>71,118</u>	<u>50,047</u>	<u>15,182</u>	<u>33,809</u>
Total current assets	<u>493,707</u>	<u>487,073</u>	<u>560,117</u>	<u>473,667</u>	<u>490,892</u>
CURRENT LIABILITIES					
Trade and bills payables	199,563	144,063	109,808	67,970	71,698
Contract liabilities	37,893	31,020	59,562	63,882	49,660
Other payables and accruals	34,672	35,062	44,238	47,794	45,000
Interest-bearing bank and other borrowings	75,000	70,000	134,000	135,000	159,877
Tax payable	5,760	7,658	12,487	12,907	12,444
Amount due to a director	<u>121,782</u>	<u>192,752</u>	<u>159,762</u>	<u>31,000</u>	<u>31,000</u>
Total current liabilities	<u>474,670</u>	<u>480,555</u>	<u>519,857</u>	<u>358,553</u>	<u>369,679</u>
NET CURRENT ASSETS	<u>19,037</u>	<u>6,518</u>	<u>40,260</u>	<u>115,114</u>	<u>121,213</u>

As at 31 July 2019, we had net current assets of approximately RMB121.2 million, representing an increase of approximately RMB6.1 million or 5.3% as compared to the balance as at 30 April 2019. Such increase was primarily due to (i) increase in cash and cash equivalents of approximately RMB18.6 million; (ii) increase in pledged deposit of approximately RMB9.0 million; (iii) the increase in amounts due from related companies of approximately RMB15.3 million; (iv) the decrease in contract liabilities of approximately RMB14.2 million; and (v) the decrease in other payables and accruals of approximately RMB2.8 million. This was partially offset by (i) the decrease of inventories of approximately RMB30.1 million; and (ii) increase in interest-bearing bank and other borrowings of approximately RMB24.9 million.

As at 30 April 2019, we had net current assets of approximately RMB115.1 million, representing an increase of approximately RMB74.9 million or 185.9% as compared to the balance as at 31 December 2018. Such increase was primarily due to: (i) a decrease in the amount due to a director of approximately RMB128.8 million; and (ii) a decrease in the trade and bills payable of approximately RMB41.8 million as a result of our settlement of amounts due to our suppliers for our purchase of inventories. This was partially offset by (i) a decrease in pledged deposit of

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approximately RMB48.0 million due to the decrease in use of bills in settling our purchases of new vehicles, spare parts and accessories from our automobile manufacturers; and (ii) a decrease in the cash and cash equivalents of approximately RMB34.9 million.

As at 31 December 2018, we had net current assets of approximately RMB40.3 million, representing an increase of approximately RMB33.7 million or 517.7% as compared to the balance as at 31 December 2017. Such increase was primarily due to: (i) an increase in inventories of approximately RMB71.7 million mainly attributable to purchase of new vehicles; (ii) a decrease in the amount due to a director of approximately RMB33.0 million; (iii) an increase in prepayments, other receivables and other assets of approximately RMB22.6 million mainly attributable to prepayment of purchase of new vehicles; and (iv) a decrease in trade and bills payables of approximately RMB34.3 million as a result of our settlement of amounts due to our automobile manufacturers for our purchase of inventories. This was partially offset by: (i) an increase in interest-bearing bank borrowings of approximately RMB64.0 million; (ii) a decrease in cash and cash equivalents of approximately RMB21.1 million; (iii) a decrease in pledged deposits of approximately RMB19.7 million; and (iv) an increase in contract liabilities of approximately RMB28.5 million.

As at 31 December 2017, we had net current assets of approximately RMB6.5 million, representing a decrease of approximately RMB12.5 million, or 65.8% from our net current assets of approximately RMB19.0 million as at 31 December 2016. Such decrease was primarily due to: (i) an increase in amount due to a director of approximately RMB71.0 million which was mainly due to the dividend payable, of approximately RMB45.4 million and the remaining consideration payable for the acquisition of the entire equity interest of Dongri Automobile of approximately RMB5.0 million in 2017; and (ii) a decrease in cash and cash equivalents of approximately RMB16.0 million. This was partially offset by: (i) a decrease in trade and bills payables of approximately RMB55.5 million as a result of our settlement of amounts due to our automobile manufacturers for our purchase of inventories; and (ii) an increase in prepayments, other receivables and other assets of approximately RMB14.1 million primarily attributable to an increase in other receivables.

Inventories

Our inventories mainly include new passenger vehicles, used passenger vehicles, spare parts for our repair services and to a lesser extent, accessories such as global positioning system (GPS) tracking devices, seat covers, automotive window films and air-fresheners.

The following table is a summary of our balance of inventories as at each of the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Vehicles	168,888	160,897	237,562	237,872
Spare parts, accessories and others	<u>9,050</u>	<u>10,131</u>	<u>5,120</u>	<u>7,655</u>
Total	<u>177,938</u>	<u>171,028</u>	<u>242,682</u>	<u>245,527</u>

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Our inventories balance for the two years ended 31 December 2017 was relatively stable, of approximately RMB177.9 million and approximately RMB171.0 million, respectively. Our inventories increased by approximately RMB71.7 million, or 41.9%, from approximately RMB171.0 million as at 31 December 2017 to approximately RMB242.7 million as at 31 December 2018. The increase in our inventory balance as at 31 December 2018 was primarily because the increase of purchase passenger vehicles in particular, Dongfeng Nissan. Our inventories remained relatively stable as at 30 April 2019, of approximately RMB245.5 million as compared to the balances as at 31 December 2018.

We assess periodically if our inventories have suffered any impairment when the carrying amount of our inventories are lower than their net realisable value. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our write-down of inventories was approximately RMB0.5 million, RMB0.5 million, RMB0.6 million and RMB1.6 million, respectively.

The following table sets out our average inventory turnover days and our average inventory turnover days for motor vehicles during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
Average inventory turnover days ⁽¹⁾	45	36	43	57
Average inventory turnover days for motor vehicles ⁽²⁾	48	38	45	63

Notes:

- (1) Average inventory turnover days for a year is equal to the average of the beginning and ending inventory balances of that year divided by cost of sales for that year and multiplied by 365 days for a year. Average inventory turnover days for the four months ended 30 April 2019 is equal to the average of the beginning and ending inventory balances of that period divided by cost of sales for that period and multiplied by 120 days for the four months ended 30 April 2019.
- (2) Average inventory turnover days for motor vehicles for a year is equal to the average of the beginning and ending inventory balances of motor vehicles of that year divided by cost of motor vehicles for that year and multiplied by 365 days for a year. Average inventory turnover days for the four months ended 30 April 2019 is equal to the average of the beginning and ending inventory balances of motor vehicles of that period divided by cost of motor vehicles for that period and multiplied by 120 days for the four months ended 30 April 2019.

Our average inventory turnover days decreased from approximately 45 days for the year ended 31 December 2016 to approximately 36 days for the year ended 31 December 2017 primarily because of our more efficient inventory management system. The increase in our average inventory turnover days from approximately 36 days for the year ended 31 December 2017 to approximately 43 days for the year ended 31 December 2018 was mainly due to increase of inventory from RMB171.0 million for the year ended 31 December 2017 to RMB242.7 million for the year ended 31 December 2018. The increase in our average inventory turnover days from approximately 43 days for the year ended 31 December 2018 to approximately 57 days for the four months ended 30 April 2019 was mainly due to the relatively higher level of inventories maintained as at 30 April 2019 as compared to the cost of sales incurred for the four months ended 30 April 2019 in anticipation of the increase in demand in

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the forthcoming months. Our average inventory turnover days for motor vehicles was approximately 48 days, 38 days, 45 days and 63 days for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, which were generally in line with our average inventory turnover days.

We believe our level of inventory and average inventory turnover days for each period during the Track Record Period illustrates a disciplined and effective approach to inventory management.

As at the Latest Practicable Date, we had sold approximately RMB234.2 million, or approximately 94.8%, of the outstanding balance amount of our inventory balance as at 30 April 2019.

Trade receivables

Our sales of motor vehicles are typically settled by bank transfer upon delivery of the motor vehicles. Our trade receivables primarily represent receivables from insurance companies for aftersales services and receivables from customers for other services that we provided.

The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	1,387	612	2,166	1,764
Impairment	<u>(14)</u>	<u>(6)</u>	<u>(22)</u>	<u>(17)</u>
	<u>1,373</u>	<u>606</u>	<u>2,144</u>	<u>1,747</u>

Our trade receivables decreased from approximately RMB1.4 million as at 31 December 2016 to approximately RMB0.6 million as at 31 December 2017. The low balances as at 31 December 2017 was primarily due to several large settlement prior to the year end of 2017. Our trade receivables increased from approximately RMB0.6 million as at 31 December 2017 to approximately RMB2.1 million as at 31 December 2018, which is mainly due to the increase in receivables from insurance companies. Our trade receivables decreased from approximately RMB2.1 million as at 31 December 2018 to approximately RMB1.7 million as at 30 April 2019, which is mainly due to the decrease of receivables from insurance companies due to decrease in revenue from insurance agency services for the four months ended 30 April 2019.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	1,373	606	2,144	1,747

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None of the above trade receivables is either past due or impaired. Our trade receivables have no recent history of default.

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	2	14	6	22
Impairment losses recognised/ (reversed)	<u>12</u>	<u>(8)</u>	<u>16</u>	<u>(5)</u>
At the end of the year	<u><u>14</u></u>	<u><u>6</u></u>	<u><u>22</u></u>	<u><u>17</u></u>

The following table sets out our average trade receivables turnover days for the Track Record Period:

	For the year ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
Average trade receivables turnover days ⁽¹⁾	0.7	0.2	0.3	0.4

Note:

- (1) Average trade receivables turnover days for a year is equal to the average of the beginning and ending trade receivables balances of that year divided by revenue for that year and multiplied by 365 days for a year. Average trade receivables turnover days for the four months ended 30 April 2019 is equal to the average of the beginning and ending trade receivables balances of that period divided by revenue for that period and multiplied by 120 days for the four months ended 30 April 2019.

Our average trade receivables turnover days indicates the time required for us to obtain cash proceeds from our sales. We maintained short turnover days during the Track Record Period mainly because sales of new vehicles are delivered upon payment.

As at the Latest Practicable Date, we had collected approximately RMB1.7 million, or 100%, of the outstanding balance amount of our trade receivables as at 30 April 2019.

Prepayments, other receivables and other assets

Prepayment represents the payment we make to automobile manufacturers for purchase of new vehicles. Other receivables primarily includes rebate receivables. Other assets represent VAT recoverable, deposits paid to automobile manufacturers for inventories purchase and the current portion of prepaid land lease payment.

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The following table sets out a breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	52,828	50,403	44,589	28,887
Rebate receivables	38,910	52,409	65,720	64,537
Other assets				
Deposits	6,052	4,906	3,384	3,352
Prepaid land lease payment				
— current portion	502	502	502	502
VAT recoverable	19,091	19,435	29,125	36,485
Other receivables	1,272	3,686	12,940	9,984
Other prepayment	<u>3,256</u>	<u>4,687</u>	<u>2,398</u>	<u>1,892</u>
Total	<u>121,911</u>	<u>136,028</u>	<u>158,658</u>	<u>145,639</u>

Our prepayments, other receivables and other assets increase from approximately RMB121.9 million as at 31 December 2016, to approximately RMB136.0 million as at 31 December 2017, primarily due to the combined effect of (i) the increase in rebate receivables of approximately RMB13.5 million in accordance with our sales performance in line with the rebate policies of our automobile manufacturers; and (ii) the decrease in prepayments of approximately RMB2.4 million as we purchased fewer passenger vehicles of Beijing Hyundai from the year ended 31 December 2016 to the year ended 31 December 2017.

The prepayments, other receivables and other assets increased to RMB158.7 million as at 31 December 2018, primarily due to the combined effect of: (i) the increase in rebate receivables of approximately RMB13.3 million in accordance with our increase in incentive rebate for the year ended 31 December 2018; (ii) the increase in VAT recoverable of approximately RMB9.7 million; (iii) the increase in other receivables of approximately RMB9.3 million as a result of receivable from banks arising from credit card payment from our customers; and (iv) the decrease of the prepayment of approximately RMB5.8 million due to decrease in prepayment to the Domestic Brand and Dongfeng Venucia from the year ended 31 December 2017 to the year ended 31 December 2018.

The prepayments, other receivables and other assets decreased to RMB145.6 million as at 30 April 2019, primarily due to the combined effect of (i) decrease in prepayment of approximately RMB15.7 million mainly due to the delivery of the passenger vehicles before the end of the relevant period of Dongfeng Nissan; and (ii) increase of VAT recoverable of approximately RMB7.4 million.

Up to the Latest Practicable Date, approximately RMB56.9 million, or approximately 88.2%, of the outstanding balance amount of our rebate receivables as at 30 April 2019 has been received or subsequently settled.

Amounts due from related companies

Amounts due from related companies for the year ended 31 December 2018 and 30 April 2019 of approximately RMB19.6 million and RMB26.6 million, respectively, mainly represent advances we made to Zhongshan New Century, New Century Car Rental and Huichuang Financial Leasing,

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which are controlled by Mr. Law, mainly for their working capital needs which were unsecured, interest-free and repayable on demand. Out of the balances as at 30 April 2019, approximately RMB24.8 million which are non-trade in nature will be fully settled upon Listing. For details, please refer to note 30 of the Accountants' Report set out in this prospectus.

Trade and bills payables

Our trade payables primarily relate to amounts due to suppliers for our purchase of spare parts and accessories, and our bills payable mainly relates to amounts due to automobile manufacturers for our purchase of inventories consisting of new vehicles.

The following table sets forth a breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	19,063	32,063	22,808	18,970
Bills payables	<u>180,500</u>	<u>112,000</u>	<u>87,000</u>	<u>49,000</u>
Total	<u>199,563</u>	<u>144,063</u>	<u>109,808</u>	<u>67,970</u>

Our trade and bills payables as at 31 December 2016, 2017, 2018 and as at 30 April 2019 were approximately RMB199.6 million, RMB144.1 million, RMB109.8 million and RMB68.0 million, respectively. The decrease in trade and bills payables during the Track Record Period was primarily due to the settlement to automobile manufacturers for our purchase of inventories prior to each period end and our decrease in use of bills in setting our purchases of new vehicles.

As at the Latest Practicable Date, we had paid approximately RMB13.8 million, or approximately 72.9%, of the outstanding balance amount of our trade payables as at 30 April 2019.

The following table sets forth the ageing analysis of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables				
Within 3 months	180,500	95,000	76,000	44,000
Over 3 months but within one year	<u>19,063</u>	<u>49,063</u>	<u>33,808</u>	<u>23,970</u>
Total	<u>199,563</u>	<u>144,063</u>	<u>109,808</u>	<u>67,970</u>

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The following table sets forth our average trade and bills payables turnover days during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
Average trade and bills payable turnover days ⁽¹⁾	42	36	26	21

Note:

- (1) Average trade and bills turnover days for a year is equal to the average of the beginning and ending trade and bills payables balance of the year divided by cost of sales for that year and multiplied by 365 for a year. Average trade and bills turnover days for the four months ended 30 April 2019 is equal to the average of the beginning and ending trade and bills payables balance of the period divided by cost of sales for that period and multiplied by 120 days for the four months ended 30 April 2019.

Our average turnover days for trade and bills payables decreased during the Track Record Period reflecting our prompt settlement of amounts due to automobile manufacturers and suppliers as a result of more effective liquidity management. Our Directors confirm that there has been no delay or default in repayment of trade and bills payables during the Track Record Period.

Contract liabilities

Contract liabilities represent our obligation to transfer goods or services to our customers for which we have received consideration, or for which an amount of consideration is due from our customers. Contract liabilities are primarily related to receipts from our sales of motor vehicles which we received prior to the delivery of the goods. Our sales of motor vehicles and repair services are typically settled on a bank transfer upon delivery of the passenger vehicle or completion of the repair service. For the sales of new vehicles comprising around 85% of our revenue during the Track Record Period, we typically receive a deposit in advance of delivery of goods. Our contract liabilities decreased by approximately RMB6.9 million, or 18.2% from approximately RMB37.9 million as at 31 December 2016 to approximately RMB31.0 million as at 31 December 2017. It then increased by approximately RMB28.6 million, or 92.3%, to approximately RMB59.6 million as at 31 December 2018. It further increased by approximately RMB4.3 million, or 7.2% to approximately RMB63.9 million as at 30 April 2019. Fluctuations in contract liabilities are related to the timing of delivery of passenger vehicles to our customers, and the status as at the respective dates.

As at the Latest Practicable Date, approximately RMB52.7 million, representing approximately 82.5% of our contract liabilities as of 30 April 2019 had been subsequently recognised as revenue.

Other payables and accruals

Other payables and accruals primarily consist of payroll payable, other tax payables which represent all tax payables such as value-added tax and housing tax except for income tax payable and others which represent amounts payable for the purchase of property, plant and equipment, lease liability and advertising expense payable.

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The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payroll payables	7,869	8,586	11,014	7,417
Other tax payables	14,142	13,328	11,020	11,931
Lease liability amount	2,535	2,678	3,148	7,792
Others	<u>10,126</u>	<u>10,470</u>	<u>19,056</u>	<u>20,654</u>
Total	<u>34,672</u>	<u>35,062</u>	<u>44,238</u>	<u>47,794</u>

Our other payables and accruals remained relatively stable at approximately RMB34.7 million as at 31 December 2016 and approximately RMB35.1 million as at 31 December 2017, increased to approximately RMB44.2 million as at 31 December 2018, and further increased to approximately RMB47.8 million as at 30 April 2019. Included in others, we have made provision for social insurance and housing provident fund of approximately RMB5.8 million, RMB5.9 million, RMB6.8 million and RMB2.4 million as at 31 December 2016, 2017, 2018 and 30 April 2019. The increase in other payable and accruals as at 30 April 2019 from 31 December 2018 which was mainly due to the increase in lease liabilities of approximately RMB4.6 million as at 30 April 2019.

WORKING CAPITAL

Although our Group recorded net cash used in operating activities for each of the two years ended 31 December 2018, our Directors believe that after taking into account the financial resources presently available to us, including cash flow from operations, banking facilities, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our working capital requirements for at least the next twelve months from the date of this prospectus. Details of the factors are set out as follows:

- (a) cash flow from operations: We had net cash inflow from operating activities at the amount of approximately RMB37.4 million for the four months ended 30 April 2019. We expect our cash flow from operating activities to increase as we expect to generate more profits from our operation. Given that the registration number of new passenger vehicles in Zhongshan increased with a CAGR of 13.9% from 2013 to 2018, and is expected to increase with a CAGR of 4.6% from 2019 to 2023 according to the ACMR Report, our new 4S dealership outlet for the Jaguar and Land Rover has commenced operation in the second quarter of 2019 and our new dealership outlet for Cadillac brand is expected to commence operation on the first quarter of 2020, our Directors expected that our sales of motor vehicles from our existing automobile dealerships will increase and there will be a decrease in our inventories as a result of the increased sales; and
- (b) net proceeds from the Global Offering: Assuming an Offer Price of HK\$1.01, being the low end of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Global Offering, our Group estimates that the aggregate net proceeds to our Company from the Global Offering will be approximately HK\$94.4 million.

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As such, our Directors are of the view that our net cash used in operating activities for each of the two years ended 31 December 2018 does not have any adverse implication of the sufficiency of our Group's working capital. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash flows from operations and net proceeds from the Global Offering.

In order to improve our net cash used in operating activities, we have adopted a cash flow management policy, pursuant to which (i) our finance department shall prepare annual cash flow forecast and its explanatory notes and the forecast will be approved by our Board; (ii) our finance department shall prepare monthly cash flow forecast to monitor our cash positions of our operations and our finance department shall formulate financing plans should there be any expected cash deficiency; and (iii) our finance department shall carry out analysis on the cash position of our Group monthly when formulating monthly cash flow forecast to better monitor our cash position and deal with the cash flow management issues. It is expected that our cash flow management in operating activities would be strengthened.

INDEBTEDNESS

As at 31 July 2019, being the latest practicable date for this indebtedness statement, save as disclosed below, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding. Our borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in the PRC. The loan agreements contain material covenants that impose certain restrictions on us, for example, without the lenders' prior consent, we may not make any disposal of material assets, mergers and acquisitions or other reorganisations, or make dividend distributions. As at the Latest Practicable Date, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing necessary to carry out our business plan. During the Track Record Period and up to the Latest Practicable Date, we had not been in default of these covenants that could cause any material adverse impact on our business operations. The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 December			As at	As at
	2016	2017	2018	30 April	31 July
	RMB'000	RMB'000	RMB'000	2019	2019
				RMB'000	RMB'000
Current					
Interest-bearing bank and other borrowings — secured	75,000	70,000	134,000	135,000	159,877
Amount due to a director	121,782	192,752	159,762	31,000	31,000
Lease liability	2,535	2,678	3,148	7,792	7,792
	<u>199,317</u>	<u>265,430</u>	<u>296,910</u>	<u>173,792</u>	<u>198,669</u>
Non-current					
Interest-bearing bank and other borrowings — secured	—	—	39,200	163,380	163,380
Lease liability	31,526	28,848	25,700	32,258	30,491
	<u>31,526</u>	<u>28,848</u>	<u>25,700</u>	<u>32,258</u>	<u>30,491</u>
	<u>230,843</u>	<u>294,278</u>	<u>361,810</u>	<u>369,430</u>	<u>392,540</u>

FINANCIAL INFORMATION

As at the 31 July 2019, being the latest practicable date for the indebtedness statement, our Group had interest-bearing bank and other borrowings of approximately RMB323.3 million, amounts due to a director of approximately RMB31.0 million and lease liability of approximately RMB38.3 million. Our Directors confirmed that, as at the Latest Practicable Date, save as disclosed above, we did not have any immediate plan for material external financing.

Our Directors confirmed that we have unutilised banking facilities of approximately RMB26.0 million as at 31 July 2019.

Interest-bearing bank borrowings

During the Track Record Period, we used proceeds of our bank borrowings to finance the purchase of inventories and our working capital needs in general. The outstanding balance of our interest-bearing bank borrowings was approximately RMB75.0 million, RMB70.0 million, RMB173.2 million and RMB298.4 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 respectively. We set forth details of our bank borrowings as the end of each period indicated below.

	As at 31 December			As at
	2016	2017	2018	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings				
Current, secured	75,000	70,000	134,000	135,000
Non-current, secured	—	—	39,200	163,380
Total	<u>75,000</u>	<u>70,000</u>	<u>173,200</u>	<u>298,380</u>

As at 31 December 2016, 2017, 2018 and 30 April 2019, certain bank loans were (i) secured by merchandised goods, buildings or leasehold land, which had an aggregate carrying value of approximately RMB28.6 million, RMB5.0 million, nil and RMB5.0 million; and (ii) guaranteed by one of our Director of approximately RMB60.5 million, RMB26.0 million, RMB54.0 million and RMB45.0 million, respectively, which shall be released upon Listing and/or replaced by corporate guarantees granted by our Group. The effective interest rates of our bank borrowings were approximately ranged from 5.09% to 5.64%, 5.27% to 5.66%, 4.99% to 6.09% and 4.75% to 6.09% as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively.

Amount due to a director

Amount due to a director represents advances made by our Controlling shareholder, Mr. Law, to fund our working capital needs which were unsecured, interest-free and repayable on demand. It increased from approximately RMB121.8 million as at 31 December 2016 to approximately RMB192.8 million as at 31 December 2017, in which an amount of approximately RMB45.9 million represented dividend payable and approximately RMB5.0 million represented consideration payable for the acquisition of Dongri Automobile in 2017. It then decreased to approximately RMB159.8 million and RMB31.0 million as at 31 December 2018 and 30 April 2019.

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As at 30 April 2019, our Group has partially repaid the balance by utilisation of our Group's banking facilities and internal resources. Out of the balances of the amount due to our Controlling Shareholder as at 30 April 2019, approximately RMB30.0 million which will be settled by capitalisation before Listing and the remaining amount will be settled before Listing.

NON-IFRS MEASURES

In order to supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use non-IFRS Measures, including adjusted profit for the year/period, adjusted cash and cash equivalents at end of the year/period, and adjusted gearing ratio, as additional financial measures. We present these financial measures because it is used by our Board to evaluate our financial performance. 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 Board. However, our presentation of the adjusted profit for the year/period, adjusted cash and cash equivalents at end of the year/period, and adjusted gearing ratio may not be comparable to similarly titled measures presented by other companies. The use of these measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Impact on cash flow, profitability and gearing ratios of our Group had our Group obtained independent financing and paid market rent during the Track Record Period

Mr. Law, our Controlling Shareholder, made advances to our Group during the Track Record Period. As at 31 December 2016, 31 December 2017, 31 December 2018 and the four months ended 30 April 2019, the amount due to Mr. Law was approximately RMB121.8 million, RMB192.8 million, RMB159.8 million and RMB31.0 million, respectively. During the Track Record Period, our Group leased certain properties from the Excluded Group at non-market rental rate.

We have included an illustrative analysis of the impact of the notional interest expenses on the advances from our Controlling Shareholder (“**Notional Interest Expenses**”) and the notional interest income of the corresponding cash surplus, and the notional rent on the properties leased from the Excluded Group (“**Notional Rent**”) on the consolidated statements of profit or loss and other comprehensive income of our Group during the Track Record Period as follows.

For illustration purpose, the analysis is derived by applying the following basis and assumptions which our Directors considered to be appropriate:

- (a) the Notional Interest Expenses shall be calculated by way of the monthly balances of the net advances from our Controlling Shareholder during the Track Record Period multiplied by the notional interest rate per month;
- (b) As there was no fixed payment term for the advances from our Controlling Shareholder and the amount was repayable on demand, the prevailing short term benchmark lending rate of People's Bank of China during the relevant period, being 4.35% per annum, is adopted;

FINANCIAL INFORMATION

- (c) the amount of net advances from our Controlling Shareholder for the Track Record Period was the respective month end balance, adjusted by the amounts which should not bear any notional interest expenses including (i) an amount of RMB30.0 million, which will be waived by our Controlling Shareholder before Listing and hence capital in nature; (ii) the cash balance of our Group at each month as our Controlling Shareholder would deposit his personal cash surplus into the bank accounts of our Group from time to time for administrative convenience, such amount was not for funding purpose nor was it utilised by our Group; (iii) the dividend payable of approximately RMB45.4 million in 2017, which was capital in nature and fully settled in September 2018; (iv) the consideration payable for the acquisition of entire equity interest of Dongri Automobile in 2017, of approximately RMB5.0 million, which was capital in nature and fully settled in September 2018 and (v) the dividend payable of approximately RMB24.2 million in 2018, which was capital in nature and approximately RMB14.2 million has been settled as at 31 December 2018;
- (d) the notional interest income is calculated based on the monthly cash balances of our Group during the Track Record Period, by multiplying the benchmark deposit rate of 0.35% per annum formulated by People's Bank of China. As this balance was the cash surplus provided by our Controlling Shareholder, our Directors considered that for the prudence sake, the relevant interest income should not be considered as part of the net profit of our Group; and
- (e) the Notional Rent is calculated based on the fair rent of the relevant leased properties in 2019 as set out in the section headed "Connected transactions" in this prospectus, of an aggregate amount of approximately RMB6.0 million, discounting by the annual rent growth rate of Zhongshan during the Track Record Period of approximately 5%, as advised by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, and net off by the rental expenses incurred by our Group during the Track Record Period. For the sake of prudence, the Notional Rent was calculated on an annual basis for the three years ended 31 December 2018, regardless of the actual timing of the occupation.

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After taking into account the aforesaid basis and assumptions, the Notional Rent, Notional Interest Expense and notional interest income that our Group would incur had our Group obtained independent financing and paid fair market rent during the Track Record Period, and the corresponding impact on our net profit, cash and cash equivalents and the gearing ratio would be as follows:

	For the year ended/as at 31 December			For the four months ended/as at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-IFRS measures				
Adjustment items				
Notional Interest Expenses	(2,320)	(2,467)	(2,775)	(445)
Notional interest income on cash and cash equivalent	(110)	(141)	(99)	(38)
Notional Rent	(4,705)	(4,467)	(4,375)	(376)
Income tax impact of the above items	1,784	1,769	1,812	215
Impact on net profit				
Profit for the year/period	14,766	30,679	34,438	5,844
Adjusted profit for the year/period ^(Note)	9,415	25,373	29,001	5,199
% change	-36.2%	-17.3%	-15.8%	-11.0%
Impact on cash flow				
Cash and cash equivalents at end of the year/period	87,123	71,118	50,047	15,182
Adjusted cash and cash equivalents at end of the year/period ^(Note)	81,772	65,812	44,610	14,537
% change	-6.1%	-7.5%	-10.9%	-4.2%
Impact on gearing ratio				
Gearing Ratio	148.5%	242.9%	300.3%	459.0%
Adjusted Gearing Ratio ^(Note)	154.8%	255.5%	315.8%	463.2%

Note: Adjusted profit for the year/period is derived by excluding Notional Interest Expenses, notional interest income on cash and cash equivalent and notional rent, and adding back the income tax impact of the above items for the year/period. Adjusted cash and cash equivalents at end of the year/period is derived by excluding the cash flow impact of the Notional Interest Expenses, notional interest income on cash and cash equivalent and notional rent, and adding back the income tax impact of the above items at end of the year/period. Adjusted gearing ratio is derived by dividing the total debt by the adjusted total equity (excluding the impact of the Notional Interest Expenses, notional interest income on cash and cash equivalent and notional rent, and adding back the income tax impact of the above items) as at the end of the respective year/period. These terms of adjusted profit for the year/period, adjusted cash and cash equivalents at end of the year/period, and adjusted gearing ratio are not defined under IFRS. For further details, please refer to the paragraph headed “Non-IFRS Measures” in this section.

FINANCIAL INFORMATION

Lease Liability

Our lease liability, which represents our obligation to pay rentals under lease agreements in which we are the lessee and measured with reference to an estimate of the lease term, decreased from approximately RMB34.1 million as at 31 December 2016 to RMB31.5 million as at 31 December 2017, and to RMB28.8 million as at 31 December 2018 and increased to RMB40.1 million as at 30 April 2019.

The following table set out a breakdown of our lease liability as at the end of each year/period indicated below.

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1	31,166	34,061	31,526	28,848
Additions	5,429	289	859	13,559
Interest charged to profit or loss	1,860	1,740	1,646	663
Payment	<u>(4,394)</u>	<u>(4,564)</u>	<u>(5,183)</u>	<u>(3,020)</u>
	<u>34,061</u>	<u>31,526</u>	<u>28,848</u>	<u>40,050</u>
Current	2,535	2,678	3,148	7,792
Non-current	<u>31,526</u>	<u>28,848</u>	<u>25,700</u>	<u>32,258</u>
	<u>34,061</u>	<u>31,526</u>	<u>28,848</u>	<u>40,050</u>

CAPITAL EXPENDITURES

For the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, we incurred capital expenditure of approximately RMB19.9 million, RMB9.6 million, RMB42.0 million and RMB12.1 million, respectively, comprising primarily expenditures for property, plant and equipment and construction in progress of our 4S dealership outlets. Our capital expenditures were funded, and are expected to continue to be funded, by internal resources, banks and other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2016, 31 December 2017, 31 December 2018, 30 April 2019 and 31 July 2019, we did not have any significant contingent liabilities.

FINANCIAL INFORMATION

CAPITAL COMMITMENTS

We had the following capital commitments in respect of property, plant and equipment, as at the end of the following periods indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Buildings	—	11,350	19,327	12,128

KEY FINANCIAL RATIOS

	As at/for the years ended 31 December			As at/for the four months ended
	2016	2017	2018	30 April 2019
Current ratio (times) ¹	1.0	1.0	1.1	1.3
Gearing ratio ²	148.5%	242.9%	300.3%	459.0%
Gross profit margin ³	6.7%	7.6%	9.0%	9.6%
Return on total assets ⁴	2.3%	5.0%	5.0%	N/A ⁶
Return on total equity ⁵	11.1%	28.4%	31.1%	N/A ⁶

Notes:

1. Current ratio is calculated by dividing the current assets over current liabilities as at the end of the respective year/period.
2. Gearing ratio is calculated by dividing the total debt, including interest-bearing bank borrowings and other borrowings, and amount due to shareholder by total equity as at the end of the respective year/period.
3. Gross profit margin is calculated by dividing gross profit for the year/period by revenue and multiplied by 100%.
4. Return on total assets is calculated by dividing the profit for the year/period by the total assets as at the respective year/period end.
5. Return on total equity is calculated by dividing the profit for the year/period by the total equity as at the respective year/period end.
6. Such ratio is not applicable as it is not comparable to annual numbers.

Current ratio

Our current ratio remained relatively stable at approximately 1.0, 1.0, 1.1 and 1.3 times for the year ended 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio increased from approximately of 148.5% as at 31 December 2016 to approximately 242.9% as at 31 December 2017, and increased to approximately 300.3% as at 31 December 2018 and further increased to approximately 459.0% as at 30 April 2019. The increase in our gearing ratio as at 31 December 2017 compared to 31 December 2016 was primarily due to: (i) an increase in amount due to a director from approximately RMB121.8 million as at 31 December 2016 to approximately RMB192.8 million as at 31 December 2017, as a result of advances from Mr. Law to meet our general working capital requirements; and (ii) a decrease in total equity from approximately RMB132.5 million as at 31 December 2016 to approximately RMB108.2 million as at 31 December 2017 as a result of dividend declared of approximately RMB47.6 million. The increase in our gearing ratio as at 31 December 2018 compared to 31 December 2017 was mainly due to increase in interest-bearing bank borrowings of approximately RMB103.2 million. The increase in our gearing ratio as at 30 April 2019 compared to 31 December 2018 was mainly due to (i) the decrease in total equity from approximately RMB110.9 million as at 31 December 2018 to approximately RMB71.8 million as at 30 April 2019 as a result of reorganisation and dividend declared; and (ii) partially net off by the decrease in total debt of approximately RMB3.6 million.

Gross profit margin

Please refer to the paragraph headed “Period to Period Comparison” in this section for a discussion of the factors affecting our gross profit margin for the year ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019.

Return on total assets

Our return on assets increased from approximately 2.3% for the year ended 31 December 2016 to approximately 5.0% for the year ended 31 December 2017, primarily due to the increase in the profit from the year ended 31 December 2017 as compared to the year ended 31 December 2016, and remain stable at approximately 5.0% for the year ended 31 December 2018.

Return on total equity

Our return on equity increased from approximately 11.1% for the year ended 31 December 2016 to approximately 28.4% for the year ended 31 December 2017, primarily due to the combined effect of (i) the increase in the profit for the year ended 31 December 2017; and (ii) the decrease of total equity which was mainly due to the dividend declared of approximately RMB47.6 million for the year ended 31 December 2017. Our return on equity increased from approximately 28.4% to approximately 31.1% for the year ended 31 December 2018, primarily due to the increase in the profit for the year ended 31 December 2018.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

LISTING EXPENSES

We incurred approximately RMB15.9 million (equivalent to approximately HK\$17.5 million) of listing expenses during the Track Record Period, among which RMB3.5 million (equivalent to approximately HK\$3.9 million) was recorded as equity and RMB12.4 million (equivalent to approximately HK\$13.6 million) was recorded as expense. We expect to incur approximately an additional RMB13.6 million (equivalent to approximately HK\$15.0 million) listing expenses after the Track Record Period, of which approximately RMB6.3 million (equivalent to approximately HK\$7.0 million) will be recognised as expenses in the consolidated statements of comprehensive income for eight months ending 31 December 2019 and the remaining of approximately RMB7.3 million (equivalent to approximately HK\$8.0 million) will be capitalised. The recognition of the listing expense is expected to affect our financial results for the year ending 31 December 2019. The estimated listing-related expenses of our Group are subjected to adjustment based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing.

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation. Aggregate dividends of RMB47.6 million, RMB24.2 million and RMB9.1 million, respectively have been declared by certain subsidiaries our Group for each of the two years ended 31 December 2018 and the four months ended 30 April 2019. We have fully settled the dividend payment primarily with our operating cashflows.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. We do not have any pre-determined dividend payout ratio. The declaration, payment, and amount of dividends will be subject to our discretion. As such, our dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The 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. The payment and the amount of any dividend will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements. We do not have any predetermined dividend payment ratio.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 30 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms that are not less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or made our historical results not reflective during the Track Record Period.

DISTRIBUTABLE RESERVES

As at 30 April 2019, our Company had no distributable reserves which were available for distribution to our equity holders.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Our Group's principal financial instruments comprise cash and bank balances. Our Group has various other financial assets and liabilities such as an amount due from related parties, deposits and other receivables, amount due to related parties and other payables and accruals, which arise directly from its operations.

The main risks arising from our Group's financial instruments is interest rate risk, credit risk and liquidity risk. We manage our capital to ensure that we will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our management reviews our Group's capital structure from time to time and, as part of the review.

Capital management

Our Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

Our Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of our Directors, our Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. Our Group's overall strategy remains unchanged from prior years.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

Please refer to the section headed “Summary — Recent Development Subsequent to the Track Record Period and no Material Adverse Change” in this prospectus for more informations of our recent development.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 April 2019 and there is no event since 30 April 2019 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited Pro Forma Financial Information” included as Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Our Strategies” in this prospectus for more details of our business strategies and future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.12, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Global Offering, our Group estimates that the aggregate net proceeds to our Company from the Global Offering will be approximately HK\$107.5 million. Our Directors presently intend to apply such net proceeds as follows:

Organic growth of our expansion network

- approximately HK\$33.4 million (or approximately 31.1% of the proceeds) will be used for financing the expenditures required in connection with the organic growth of our motor vehicle sale and service network via our opening of new outlets in Zhongshan. We expect that of this amount:

Outlet for Cadillac

- (i) approximately HK\$16.2 million (or approximately 15.1% of the proceeds) will be used for the opening of a new outlet for Cadillac including the payment for the cost of initial inventories, the construction and renovation expenses and the cost of furniture and equipment for our daily operation. The outlet is expected to be of approximately 3,950 square metres located on 44 Rainbow Road, Western District, Zhongshan and commence operation in the first quarter of 2020;

Outlet for JETTA brand (a new brand of FAW Volkswagen)

- (ii) approximately HK\$4.0 million (or approximately 3.8% of the proceeds) will be used for the renovation work of an existing 4S dealership outlet for Beijing Hyundai on 40 Rainbow Road, Western District, Zhongshan to accommodate a JETTA brand outlet (which is a new brand of FAW Volkswagen) as well as the cost of furniture and equipment and the cost of initial inventories for its operation. We expect the JETTA brand dealership to take up approximately 465 square metres and commence operation in the first quarter of 2020;

New energy vehicle megastore

- (iii) approximately HK\$13.2 million (or approximately 12.2% of the proceeds) will be used for the opening of a new energy vehicle megastore of approximately 2,000 square metres in Zhongshan which is expected to sell an array of new energy vehicles under various brands including the payment for the cost of initial inventories, construction and renovation expenses. The new energy vehicle megastore is expected to commence operation in 2020;

FUTURE PLANS AND USE OF PROCEEDS

Selective acquisition

- approximately HK\$27.4 million (or approximately 25.5% of the proceeds) will be used for financing our network's expansion through selective acquisition of other automobile dealership outlets if suitable opportunities arise.

Expansion of our other integrated auto services

- approximately HK\$30.2 million (or approximately 28.1% of the proceeds) will be used for financing the expansion of our other integrated auto services. We expect that of this amount:

Quick fix auto centres

- (i) approximately HK\$11.0 million (or approximately 10.2% of the proceeds) will be used for the opening of around 20 additional quick fix auto centres in Zhongshan and the nearby Greater Bay Area by 2021 with the opening of at least 10 quick fix centres to be based in Zhongshan including the payment of equipment, initial inventories, marketing expenses, rental expenses and wages and salaries;

Used vehicle marketplaces, office building for used vehicle marketplace and used vehicle warranty centre

- (ii) approximately HK\$13.7 million (or approximately 12.8% of the proceeds) will be used for the establishment of three additional used vehicle marketplaces and an office building for used vehicle marketplace in Zhongshan by 2020 for the development of our used vehicle operation including the construction and renovation expenses;
- (iii) approximately HK\$2.2 million (or approximately 2.0% of the proceeds) will be used for the establishment of a used vehicle warranty centre in Zhongshan by 2020 dedicated for the development of our used vehicle warranty services including renovation expenses, purchase of equipment, marketing expenses, rental expenses and wages and salaries; and

Insurance agency services

- (iv) approximately HK\$3.3 million (or approximately 3.1% of the proceeds) will be used for the opening of an insurance agency office dedicated to the sales and marketing of our insurance agency services including auto and non-auto related insurance products in Zhongshan in the first quarter of 2020 including renovation expenses, cost of furniture and equipment, marketing expenses, rental expenses and wages and salaries;

Big data analysis and online marketing

- approximately HK\$11.0 million (or approximately 10.2% of the proceeds) will be used for optimising and upgrading our information technology system to facilitate big data analysis and the integration of our online and offline customer services;

FUTURE PLANS AND USE OF PROCEEDS

General working capital

- approximately HK\$5.5 million (or approximately 5.1% of the proceeds) will be used for general working capital purpose.

If the Offer Price is set at the high- or low-end of the indicative Offer Price range, being HK\$1.23 and HK\$1.01 per Offer Share, respectively, the net proceeds from the Global Offering will decrease or increase by approximately HK\$13.1 million and HK\$13.1 million, respectively, and our Directors intend to adjust the above allocation of the net proceeds on a pro-rata basis.

Should there be any material change in the intended use of the net proceeds from the Global Offering as described above, our Group will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes, our Directors intend that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

REASONS FOR AND BENEFITS OF THE LISTING

Our Directors believe that the Listing would be crucial for our Group and could strengthen our business as follows:

1. The Listing could facilitate the implementation of our business strategies as set out in the section headed “Business — Our Strategies” of this prospectus and the paragraph headed “Future plans” of this section. Our Directors believe that once we have strengthened our financial position through the Global Offering, we would be able to expand our dealership network and other integrated auto services which in turn would allow us to capture more business opportunities.

Our Directors further believe that it is an opportune time to strengthen our financial position and expand our business through the Listing. We expect Zhongshan and the Greater Bay Area will have significant growth potential in terms of demand for our mid-to- high end and luxury passenger vehicles and hence increase our market share. According to the ACMR Report, with rapid economic growth and increasing consumer purchasing power, demand for passenger vehicles in Zhongshan has increased rapidly. From 2013 to 2018, the registration number of new passenger vehicles in Zhongshan increased from 73,000 units to 140,000 units, representing a CAGR of 13.9%, higher than the average level of Guangdong province of 11.2% and national average of 6.9%. Meanwhile, share of the registration number of new passenger vehicles of Zhongshan in Guangdong province increased from 5.8% to 6.5%. In the same period, sales revenue of new passenger vehicles in Zhongshan increased from RMB12.3 billion to RMB23.7 billion, with a CAGR of 14.0%. Passenger vehicle market in Zhongshan is expected to continue to grow rapidly in the following years. Also, according to the ACMR Report, the Greater Bay Area has a combined population of 71.2 million as at 31 December 2018. The disposal income levels in nearby cities such as Foshan, Dongguan and Zhuhai are RMB49,630.00, RMB49,331.00 and RMB48,107.00 respectively and which are comparable to that of Zhongshan which is at RMB46,865.00 in 2018. Please refer to the section headed “Industry Overview” in this prospectus for more details. Our Directors believe our expansion plan is well justified;

FUTURE PLANS AND USE OF PROCEEDS

2. Our business to some extent is capital-intensive, and during the Track Record Period, our source of financing was limited to operating cashflows and bank and other borrowings. Cash generated from operations alone cannot always support our operations. Obtaining bank borrowings will inevitably increase our gearing ratio, and we may thus be perceived as financially unhealthy. Our Directors consider the Global Offering to be an alternative to raise funds for implementing our future plans which does not incur interest burden and would lower our gearing ratio;
3. Our Directors also believe that the Listing would provide a fund-raising platform for our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansions, which could be instrumental to our expansion and improving its operating and financial performance; and
4. Our Directors believe that the Listing would facilitate us in attracting talents to join our Group and access to a larger pool of talents will improve our service quality. In addition, the status of being a listed company would also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a listed company. In addition, our Company has conditionally adopted the Share Option Scheme on 16 September 2019. Our Directors believe such incentive programme, when offered to our employees, could reward those who have contributed to our growth and performance and motivate our employees to work towards enhancing the value of our Company and the Shares. Our Directors further believe this could improve our ability to recruit, motivate and retain key management personnel who are important to our business.

CORNERSTONE INVESTORS

DETAILS OF THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (“**Cornerstone Investment Agreements**” each a “**Cornerstone Investment Agreement**”) with the Joint Global Coordinators and each of (i) Mr. Ho Wing Tim; (ii) Mr. Chen Ruming; and (iii) Mr. Xu Kewei (Mr. Ho Wing Tim, Mr. Chen Ruming and Mr. Xu Kewei collectively as the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors shall subscribe for, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be subscribed for an aggregate amount of approximately HK\$40.7 million (the “**Cornerstone Placing**”). The following tables illustrate the investment amount and the number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares) by each of the Cornerstone Investors, assuming at the Offer Price of (a) HK\$1.01, being the low end of the Offer Price range; (b) HK\$1.12, being the mid-point of the Offer Price range; and (c) HK\$1.23, being the high end of the Offer Price range:

		Based on the Offer Price of HK\$1.01 (being the low end of the Offer Price range)				
		Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue		
Cornerstone Investor	Investment amount	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over- allotment Option is not exercised	Assuming the Over- allotment Option is exercised in full	Assuming the Over- allotment Option is not exercised	Assuming the Over- allotment Option is exercised in full
Ho Wing Tim	HK\$30,000,000	29,702,000	23.8%	20.7%	5.9%	5.7%
Chen Ruming	HK\$5,000,000	4,950,000	4.0%	3.4%	1.0%	1.0%
Xu Kewei	HK\$5,700,000	5,642,000	4.5%	3.9%	1.1%	1.1%
Total	HK\$40,700,000	40,294,000	32.3%	28.0%	8.0%	7.8%

		Based on the Offer Price of HK\$1.12 (being the mid-point of the Offer Price range)				
		Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue		
Cornerstone Investor	Investment amount	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over- allotment Option is not exercised	Assuming the Over- allotment Option is exercised in full	Assuming the Over- allotment Option is not exercised	Assuming the Over- allotment Option is exercised in full
Ho Wing Tim	HK\$30,000,000	26,784,000	21.4%	18.6%	5.4%	5.2%
Chen Ruming	HK\$5,000,000	4,464,000	3.6%	3.1%	0.9%	0.9%
Xu Kewei	HK\$5,700,000	5,088,000	4.1%	3.5%	1.0%	1.0%
Total	HK\$40,700,000	36,336,000	29.1%	25.2%	7.3%	7.1%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$1.23 (being the high end of the Offer Price range)						
Cornerstone Investor	Investment amount	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Ho Wing Tim	HK\$30,000,000	24,390,000	19.5%	17.0%	4.9%	4.7%
Chen Ruming	HK\$5,000,000	4,064,000	3.3%	2.8%	0.8%	0.8%
Xu Kewei	HK\$5,700,000	4,634,000	3.7%	3.2%	0.9%	0.9%
Total	HK\$40,700,000	33,088,000	26.5%	23.0%	6.6%	6.4%

To the best knowledge and belief of our Directors and our Company, each of the Cornerstone Investors (a) is an independent third party and independent of our connected persons and their respective close associates (as defined in the Listing Rules); and (b) save as disclosed in this section, has no past or present relationship with our Directors, our Controlling Shareholders, our senior management or any of their respective associates. Each of the Cornerstone Investors has confirmed that: (i) the respective investments made by the Cornerstone Investors in respect of the Cornerstone Placing are financed by their own personal fund and are not, either directly or indirectly, financed by our Company, our Controlling Shareholders, our Directors, the Sole Sponsor, the Underwriters or any of their affiliates; (ii) he has not entered into any side agreements or arrangements with our Directors, our Controlling Shareholders, our senior management or any of their respective associates; and (iii) he is not accustomed to take instructions from our Company or any of its core connected person in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his name or otherwise held by him.

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors will not subscribe for any Offer Share under the Global Offering (other than and pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in the Company, nor will it become a substantial shareholder of the Company (as defined under the Listing Rules).

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in “Structure of the Global Offering — The Hong Kong Public Offer”.

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

Mr. Ho Wing Tim (何榮添)

Mr. Ho Wing Tim (“**Mr. Ho**”) has agreed to subscribe at the Offer Price for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which aggregate amount shall be capped at HK\$30.0 million (excluding brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

Mr. Ho is an individual Cornerstone Investor. Mr. Ho was formerly a chief executive officer of Lai Fung Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1125) from 2001 to 2002, and was a director of Lai Fung Holdings Limited from 2001 to 2006. He was the chairman of Pok Oi Hospital from 2014 to 2015 and is a permanent advisor of Pok Oi Hospital. Mr. Ho is currently an independent non-executive director of MOS House Group Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1653). In 2015, Mr. Ho received the Medal of Honour from the Government of Hong Kong.

Mr. Ho has been acquainted with Mr. Law during his business travel to Zhongshan, Guangdong province of the PRC for over ten years. Mr. Ho decided to invest in our Group as he is confident in the performance of the Group and consider its outlook to be positive.

Mr. Chen Ruming (陳汝明)

Mr. Chen Ruming (“**Mr. Chen**”) has agreed to subscribe at the Offer Price for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which aggregate amount shall be capped at HK\$5.0 million (excluding brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

Mr. Chen is an individual Cornerstone Investor. Since 2002, Mr. Chen has been the executive director, the legal representative and the manager of Dongguang Profit Trading Co., Ltd* (東莞市盈利貿易有限公司) (“**Dongguang Profit**”), a limited liability company incorporated in the PRC with a scope of business including sales of household appliances, metallic hardware, building materials and goods. Mr. Chen also holds 40% equity interest in Dongguang Profit.

Mr. Chen has over 20 years of working experience in the PRC and was acquainted with Mr. Law through social occasions. After considering the Group’s continuous growth in the past years and its recent business performance, Mr. Chen is optimistic about the business prospect of our Group and decided to invest in our Group.

Mr. Xu Kewei (徐克偉)

Mr. Xu Kewei (“**Mr. Xu**”) has agreed to subscribe at the Offer Price for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which aggregate amount shall be capped at HK\$5.7 million (excluding brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

Mr. Xu is an individual Cornerstone Investor. Mr. Xu has over 20 years of experience in the petrochemical industry in the PRC. Since 2003, Mr. Xu has been the executive director and the legal representative of Guangdong Yuehong Petrochemical Co., Limited* (廣東粵宏石油化工有限公司) (“**Guangdong Yuehong**”), a limited liability company incorporated in the PRC with a scope of business including operating petroleum and diesel with storage facilities and operating certain petrochemicals without storage facilities. Mr. Xu also holds 90% equity interest in Guangdong Yuehong.

CORNERSTONE INVESTORS

Mr. Xu is a businessman and has been acquainted with Mr. Law for over ten years and through business dealing as his company dealt with oil and petrol stations in Zhongshan, Guangdong province of the PRC. Mr. Xu decided to invest in our Group as he has experience in finance and capital investment and is familiar with the motor vehicle industry in Zhongshan.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to the following conditions precedent:

- (a) the International Underwriting Agreement and the Hong Kong Underwriting Agreement having been entered into and having become effective and unconditional by no later than the respective time and date specified therein, or such later time and date as may be agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and not having been terminated, in accordance with their respective original terms (or as subsequently waived, to the extent it may be waived, by the relevant parties thereto);
- (b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) in connection with the International Placing;
- (c) the representatives, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investors under the respective Cornerstone Investment Agreements remain true and accurate in all material respects and not misleading and there having been no material breach of the respective Cornerstone Investment Agreements on the part of the respective Cornerstone Investors;
- (d) the representatives and warranties of our Company under the respective Cornerstone Investment Agreements remain true and accurate in all material respects and not misleading and there having been no material breach of the respective Cornerstone Investment Agreements on the part of our Company;
- (e) the Listing Committee of the Stock Exchange having granted or agreed to grant the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange and such approval or permission not having been revoked; and
- (f) no laws having been enacted or promulgated by any governmental authority (as defined in the respective Cornerstone Investment Agreements) which prohibits the consummation of the transactions contemplated under the respective Cornerstone Investment Agreements and there having been no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the respective Cornerstone Investment Agreements.

Subject to fulfilment of the above condition precedents, the completion of the Cornerstone Placing shall occur simultaneously with the closing of the International Placing under the respective Cornerstone Investors Agreements, pursuant to which the investment amount payable by the respective Cornerstone Investors shall be settled upon the Listing Date and the timing and manner of delivery of such Shares issued and allotted pursuant to the Cornerstone Placing shall be the same as those Shares issued and allotted through International Placing.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), it will not, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of (as defined in the respective Cornerstone Investment Agreements) any of the Shares to be subscribed for by each of the Cornerstone Investors pursuant to the respective Cornerstone Investment Agreements (including any Shares which are derived from the Cornerstone Investors Shares pursuant to any rights issue, capitalisation issue or any other form of capital reorganisation), nor will it agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal thereof.

During the Lock-up Period, each of the Cornerstone Investors may transfer the Shares so subscribed in certain limited circumstances as set out in the respective Cornerstone Investment Agreements, such as transfer to its wholly-owned subsidiary, provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing in favour of our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the relevant Cornerstone Investors undertake in writing in favour of our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) to procure that such wholly-owned subsidiary will abide by the restrictions on disposals imposed on such Cornerstone Investors.

UNDERWRITING

HONG KONG UNDERWRITERS

Fortune (HK) Securities Limited

Mason Securities Limited

Shanxi Securities International Limited

Essence International Securities (Hong Kong) Limited

Livermore Holdings Limited

CNI Securities Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to the granting of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Global Coordinators (on behalf of the Public Offer Underwriters) have the right, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement by giving notice in writing to our Company, if they see fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any offer documents as defined in the Hong Kong Underwriting Agreement (“**Offer Documents**”) including this prospectus and the Application Forms, considered by the Joint Global Coordinators in their absolute opinion to be material, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecasts, expressions of opinion, intention or

UNDERWRITING

expectation expressed in any Offer Documents and/or the relevant Application Forms are not, in the absolute opinion of the Joint Global Coordinators, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Global Coordinators to be material to the Global Offering; or
- (iii) any breach of any of the obligations imposed upon any party (other than the Joint Global Coordinators or any Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (iv) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any member of our Group which is considered by the Joint Global Coordinators in their sole and absolute opinion to be material in the context of the Global Offering; or
- (v) any breach, considered by the Joint Global Coordinators in their sole and absolute opinion to be material in the context of the Global Offering, of any of the representations, warranties and undertakings given by our Company or our Controlling Shareholders contained in the Hong Kong Underwriting Agreement; or
- (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Global Offering; or
- (viii) any person (other than the Joint Global Coordinators and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics including SARS and H5N1 and such related or mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or matters and/or disaster or monetary or trading settlement system (including without limitation any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollar against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
 - (iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of Hong Kong, the PRC, the Cayman Islands, or any other jurisdictions relevant to any member of our Group (“**Specific Jurisdictions**”); or
 - (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on any of the Specific Jurisdictions; or
 - (v) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws or regulations in any of the Specific Jurisdictions or affecting an investment in the Shares; or
 - (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
 - (vii) any litigation or claim of material importance of any third party being instigated against any member of our Group; or
 - (viii) our Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
 - (ix) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be materially and adversely affected; or
 - (x) the commencement by any regulatory body of any public action against our Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or

UNDERWRITING

- (xi) a contravention by any member of our Group of the Companies Ordinance or any of the Listing Rules; or
- (xii) a prohibition on us for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (xiii) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xv) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvi) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xvii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), Japan or the PRC or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions,

which in each case in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any member of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (d) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

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Indemnity

Our Company, our Controlling Shareholders and executive Directors have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, the Controlling Shareholders and executive Directors of the Hong Kong Underwriting Agreement.

UNDERTAKINGS

Undertakings pursuant to the Hong Kong Underwriting Agreement

By our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company undertakes to each of the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, and each of our Controlling Shareholders and executive Directors jointly and severally undertakes to each of the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters to procure that, save with the prior written consent of the Joint Global Coordinators (for and on behalf of the Hong Kong Underwriters), or save pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or Share options to be granted under the Share Option Scheme, our Company shall not, and will procure that our subsidiaries not to, within the period of six months from the Listing Date (the “**First Six-month Period**”), (a) save as permitted under the Listing Rules (including Rule 10.08(1) to 10.08(4) of the Listing Rules) and the applicable laws, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities); or (b) grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company, or (c) repurchase Shares or other securities of our Company (except in compliance with the Listing Rules and the Takeovers Code), or (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, or (e) offer to or agree to do any of the foregoing or announce any intention to do so. In the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the six-month period commencing from the expiry of the First Six-month Period (the “**Second Six-Month Period**”), our Company will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

By our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders undertakes jointly and severally to each of the Sole Sponsor, the Joint Global Coordinators, our Company and the Hong Kong Underwriters that:

- (i) at any time during First Six-month Period, except pursuant to the Global Offering, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators and unless pursuant to the Stock Borrowing Agreement between Chong Kit and the Stabilising Manager or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to

UNDERWRITING

purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the relevant securities (in respect of which each relevant Controlling Shareholder is shown by this prospectus to be the beneficial owner); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above;

- (ii) at any time during the Second Six-month Period without the consent of the Sole Sponsor and Joint Global Coordinators, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any relevant securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company or would together with the other Controlling Shareholders cease to be the controlling shareholders of our Company;
- (iii) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period set out in paragraph (i) above, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/it shall, and shall procure that its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders further undertakes jointly and severally to each of the Sole Sponsor, the Joint Global Coordinators, our Company, the Hong Kong Underwriters that, during the First Six-month Period and the Second Six-month Period, he/it will:

- (i) when he/it pledges or charges any securities or interests in the relevant securities, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Our Company will inform the Stock Exchange as soon as our Company has been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement.

UNDERWRITING

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or form the subject of any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Capitalisation Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option and any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company, respectively, that, except pursuant to the Global Offering, he/she/it will not and will procure that the relevant registered Shareholder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company.

In addition, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it will, within a period of commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/she/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

UNDERWRITING

INTERNATIONAL PLACING

In connection with the International Placing, our Company, amongst other parties, expects to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above. Under the International Underwriting Agreement, subject to conditions set forth therein, the International Underwriters are expected to severally, but not jointly, agree to subscribe or procure subscribers to subscribe for the International Placing Shares initially being offered pursuant to the International Placing.

It is expected that the International Underwriting Agreement may be terminated on grounds similar to those set out in the Hong Kong Underwriting Agreement as described in the paragraph headed “Grounds of Termination” in this section.

Prospective investors should note that if the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Undertakings” in this section.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive a gross underwriting commission of 3.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing and any International Placing Shares reallocated from the International Placing to the Hong Kong Public Offer, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Placing Underwriter(s) and not the Hong Kong Underwriter.

The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering (assuming the Over-allotment Option is not exercised), are currently estimated to be approximately HK\$32.5 million in aggregate, based on an Offer Price of HK\$1.12 per Offer Share, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their respective interest and obligations to the Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any Shares of any member of our Group or any right or option (whether legally enforceable or not) to subscribe or purchase for or to nominate persons to subscribe for securities in any member of our Group or has any interest in the Global Offering.

SOLE SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises:

- (a) the Hong Kong Public Offer of 12,500,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offer” below; and
- (b) the International Placing of an aggregate of 112,500,000 International Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below).

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or, if qualified to do so, apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The 125,000,000 Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may be issued pursuant to the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme.

THE HONG KONG PUBLIC OFFER

Our Company is initially offering 12,500,000 Hong Kong Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offer, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Global Offering and Capitalisation Issue without taking into account any Shares which may be issued pursuant to the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The total number of Offer Shares under the Hong Kong Public Offer (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5.0 million and up to the value of pool B (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 6,250,000 Shares and 6,250,000 Shares, respectively.

Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 6,250,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offer will be rejected.

Reallocation between the International Placing and the Hong Kong Public Offer

Pursuant to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation on the following basis:

- (a) In the event that the International Placing Shares are fully subscribed or oversubscribed under the International Placing:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators will have the discretion to reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offer to the International Placing;
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Hong Kong Public Offer represents less than 15 times of the initial number of the Hong Kong Offer Shares, then up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, and the total number of Offer Shares available for subscription under the Hong Kong Public Offer may increase to up to 25,000,000 Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iii) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times of the initial number of the Hong Kong Offer Shares, then the total number of Offer Shares available for subscription

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

under the Hong Kong Public Offer will increase to 37,500,000 Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

- (iv) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times of the initial number of the Hong Kong Offer Shares, then the total number of Offer Shares available for subscription under the Hong Kong Public Offer will increase to 50,000,000 Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
 - (v) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more than the initial number of the Hong Kong Offer Shares, then the total number of Offer Shares available for Subscription under the Hong Kong Public Offer will increase to 62,500,000 Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).
- (b) In the event that the International Placing Shares are undersubscribed under the International Placing:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times of the initial number of the Hong Kong Offer Shares, then the total number of Offer Shares available for subscription under the Hong Kong Public Offer will increase to 25,000,000 Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer in the circumstances where (x) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the Offer Price shall be fixed at HK\$1.01 per Offer Shares (being the low-end of the indicative Offer Price range state in this prospectus).

In all cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced. Details of any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, 17 October 2019.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate Offer Shares from International Placing to the Hong Kong Public Offer in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate to satisfy valid applications under the Hong Kong Public Offer.

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated International Placing Shares under the International Placing.

THE INTERNATIONAL PLACING

Number of the International Placing Shares

The number of the Offer Shares to be initially offered for subscription under the International Placing will be 112,500,000 Shares representing 90% of the Offer Shares initially available under the Global Offering (subject to re-allocation and the Over-allotment Option) and approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and Capitalisation Issue without taking into account any Shares which may be issued pursuant to the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme. The International Placing is expected to be fully underwritten by the International Underwriters.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a stable demand for the International Placing Shares in Hong Kong. Professional investors generally include brokers, dealers, companies

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

(including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Placing is subject to the Hong Kong Public Offer being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the subsection headed “Structure and Conditions of the Global Offering — Pricing and Allocation” in this section, and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

Over-allotment Option

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offer, to require our Company to issue and allot up to an aggregate of 18,750,000 additional Shares, representing approximately 15% of the Offer Shares, at the same price per Share under the International Placing, to cover, among other things, over-allocations in the International Placing (if any). In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilisation

Stabilisation is a practice used by Underwriters in some markets to facilitate the distribution of securities. To stabilise, Underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Fortune (HK) Securities Limited, as stabilising manager (the “Stabilising Manager”), its affiliates or any persons acting for it (for itself and on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

limited period after the Listing Date. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it to conduct any such stabilising action. Such stabilising action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer and conducted at the absolute discretion of the Stabilising Manager, its affiliates or any persons acting for it, and may be discontinued at any time. The number of Shares that may be overallocated will not be greater than the number of Shares that may be sold upon exercise of the Over-allotment Option, being an aggregate of 18,750,000 additional Shares, which is 15% of our Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our Company's enlarged issued share capital on completion of the Global Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or agreeing to purchase our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell our Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which, and the time or period for which, the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation and selling of any such long position in the open market by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may cover such over-allocation by (among other methods) using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including those in relation to stabilisation and the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed 18,750,000 Shares, being the number of Shares which may be issued and allotted by our Company upon full exercise of the Over-allotment Option and representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 18,750,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from Chong Kit pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Chong Kit is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Chong Kit or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Chong Kit. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Chong Kit by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Determination of the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or about Friday, 11 October 2019, by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

Offer Price Range

The Offer Price will not be more than HK\$1.23 per Offer Share and is expected to be not less than HK\$1.01 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

Price Payable on Application

Applicants for Offer Shares under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.23 for each Hong Kong Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$2,484.79 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.23 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 17 October 2019, the Global Offering will not proceed and will lapse.

Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Changes to Offer Price Range

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the International Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange’s website at www.hkexnews.hk, and our Company’s website at www.car2000.com.cn, notices of such reduction. Upon issuing such notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics, and any other financial information in this prospectus which may change as a result of any such reduction.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price is reduced, applicants under the Hong Kong Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

We expect to announce the final Offer Price, level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 17 October 2019 on the website of the Stock Exchange at www.hkexnews.hk, and our Company's website at www.car2000.com.cn.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange and such approval not having been withdrawn;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (c) the Offer Price having been determined and the execution of the related agreement on or around the Price Determination Date, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at www.car2000.com.cn and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Thursday, 17 October 2019 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement — Grounds for termination” has not been exercised at or before that time.

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 18 October 2019, dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 18 October 2019. Our Shares will be traded in board lot of 2,000 Shares each. The stock code for the Shares is 1959.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

To apply for the Hong Kong Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Global Coordinators and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the Securities Act of the United States); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Global Coordinators or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of HK eIPO White Form service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- (a) are an existing beneficial owner of Shares and/or any of our subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- (c) are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- (d) are a close associate of any of the above; and/or
- (e) have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Friday, 11 October 2019 from:

- (a) any of the following address of the Underwriters:

Fortune (HK) Securities Limited
43/F, COSCO Tower
183 Queen's Road Central Hong Kong

and

Mason Securities Limited
19/F, Lee Garden Three
1 Sunning Road, Causeway Bay Hong Kong

and

Shanxi Securities International Limited
Unit A, 29/F, Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty, Hong Kong

and

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) or any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	King's Road Branch	131–133 King's Road, North Point, Hong Kong
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon
New Territories	Citywalk Branch	Shop 65 & 67–69 G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Friday, 11 October 2019 from:

- (a) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (b) your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to account name for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 September 2019	—	9:00 a.m. to 5:00 p.m.
Wednesday, 2 October 2019	—	9:00 a.m. to 5:00 p.m.
Thursday, 3 October 2019	—	9:00 a.m. to 5:00 p.m.
Friday, 4 October 2019	—	9:00 a.m. to 5:00 p.m.
Saturday, 5 October 2019	—	9:00 a.m. to 1:00 p.m.
Tuesday, 8 October 2019	—	9:00 a.m. to 5:00 p.m.
Wednesday, 9 October 2019	—	9:00 a.m. to 5:00 p.m.
Thursday, 10 October 2019	—	9:00 a.m. to 5:00 p.m.
Friday, 11 October 2019	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 11 October 2019, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By submitting an Application Form or applying through the HK eIPO White Form service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company, and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (h) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply for the Hong Kong Offer Shares” in this prospectus, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 September 2019 until 11:30 a.m. on Friday, 11 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 11 October 2019 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (iv) declare that only one set of **electronic application instructions** has been given for your benefit;
- (v) (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- (vi) confirm that you understand that our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for the Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the Offer Price per Hong Kong Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions ⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 September 2019	—	9:00 a.m. to 8:30 p.m.
Wednesday, 2 October 2019	—	8:00 a.m. to 8:30 p.m.
Thursday, 3 October 2019	—	8:00 a.m. to 8:30 p.m.
Friday, 4 October 2019	—	8:00 a.m. to 8:30 p.m.
Saturday, 5 October 2019	—	8:00 a.m. to 1:00 p.m.
Tuesday, 8 October 2019	—	8:00 a.m. to 8:30 p.m.
Wednesday, 9 October 2019	—	8:00 a.m. to 8:30 p.m.
Thursday, 10 October 2019	—	8:00 a.m. to 8:30 p.m.
Friday, 11 October 2019	—	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Friday, 11 October 2019 (24 hours daily, except on 11 October 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 11 October 2019, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

- (1) *The times in this section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.*

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 11 October 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (a) an account number; or
- (b) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Determination of the Offer Price” under the section headed “Structure and Conditions of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 October 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 11 October 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 17 October 2019 on our Company’s website at www.car2000.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at www.car2000.com.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 17 October 2019;
- (b) from the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 17 October 2019 to 12:00 midnight on Wednesday, 23 October 2019;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 17 October 2019 to Tuesday, 22 October 2019 (excluding Saturday, Sunday and public holiday in Hong Kong); and

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- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 17 October 2019 to Monday, 21 October 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

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(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Hong Kong Offer Shares is void:

The allotment of the Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Joint Global Coordinators, believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.23 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the

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application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 17 October 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 17 October 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 18 October 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 17 October 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 26 September 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 17 October 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 17 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

(d) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 October 2019 or any other date as

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determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 October 2019, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 17 October 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(f) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (i) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 17 October 2019 or on any other date determined by HKSCC or HKSCC Nominees.
- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Offer Shares in the manner specified in "Publication of Results" above on

HOW TO APPLY FOR HONG KONG OFFER SHARES

Thursday, 17 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- (iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- (iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 17 October 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 17 October 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young. As described in Appendix V headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, a copy of the accountants' report is available for inspection.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Centenary United Holdings Limited
Fortune Financial Capital Limited

Dear Sirs,

We report on the historical financial information of Centenary United Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-55, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 (the "Relevant Periods"), the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019, the statement of financial position of the Company as at 31 December 2018 and 30 April 2019, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-55 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016 and 2017 and 2018 and 30 April 2019 and the financial position of the Company as at 31 December 2018 and 30 April 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND
MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividend

We refer to note 11 to the Historical Financial Information which states that no dividend has been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

30 September 2019

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i>
Revenue	5	1,834,701	1,904,919	1,940,311	531,300	568,329
Cost of sales		<u>(1,712,336)</u>	<u>(1,759,497)</u>	<u>(1,765,933)</u>	<u>(486,806)</u>	<u>(514,017)</u>
Gross profit		122,365	145,422	174,378	44,494	54,312
Other income and gains	5	8,010	8,133	12,698	4,126	4,110
Selling and distribution expenses		(48,699)	(51,479)	(59,224)	(19,636)	(20,237)
Administrative expenses		(50,097)	(51,970)	(66,724)	(17,766)	(22,173)
Other expenses, net		(1,420)	(898)	(633)	(98)	(265)
Finance costs	7	<u>(7,061)</u>	<u>(5,767)</u>	<u>(6,995)</u>	<u>(1,683)</u>	<u>(4,272)</u>
PROFIT BEFORE TAX	6	23,098	43,441	53,500	9,437	11,475
Income tax expense	10	<u>(8,332)</u>	<u>(12,762)</u>	<u>(19,062)</u>	<u>(5,228)</u>	<u>(5,631)</u>
PROFIT FOR THE YEAR/ PERIOD AND OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>14,766</u>	<u>30,679</u>	<u>34,438</u>	<u>4,209</u>	<u>5,844</u>
Attributable to: Owners of the parent		<u>14,766</u>	<u>30,679</u>	<u>34,438</u>	<u>4,209</u>	<u>5,844</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
		2016	2017	2018	30 April
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	96,951	88,161	98,155	104,889
Right-of-use assets	14	44,395	40,356	36,398	47,198
Deferred tax assets	15	3,624	1,971	957	199
Total non-current assets		<u>144,970</u>	<u>130,488</u>	<u>135,510</u>	<u>152,286</u>
CURRENT ASSETS					
Inventories	16	177,938	171,028	242,682	245,527
Trade receivables	17	1,373	606	2,144	1,747
Prepayments, other receivables and other assets	18	121,911	136,028	158,658	145,639
Amounts due from related companies	30	1,900	1,600	19,586	26,572
Pledged deposits	19	103,462	106,693	87,000	39,000
Cash and cash equivalents	19	87,123	71,118	50,047	15,182
Total current assets		<u>493,707</u>	<u>487,073</u>	<u>560,117</u>	<u>473,667</u>
CURRENT LIABILITIES					
Trade and bills payables	20	199,563	144,063	109,808	67,970
Contract liabilities	21	37,893	31,020	59,562	63,882
Other payables and accruals	22	34,672	35,062	44,238	47,794
Interest-bearing bank borrowings	23	75,000	70,000	134,000	135,000
Tax payable		5,760	7,658	12,487	12,907
Amount due to a director	30	121,782	192,752	159,762	31,000
Total current liabilities		<u>474,670</u>	<u>480,555</u>	<u>519,857</u>	<u>358,553</u>
NET CURRENT ASSETS		<u>19,037</u>	<u>6,518</u>	<u>40,260</u>	<u>115,114</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>164,007</u>	<u>137,006</u>	<u>175,770</u>	<u>267,400</u>
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	23	—	—	39,200	163,380
Other payables and accruals	22	31,526	28,848	25,700	32,258
Total non-current liabilities		<u>31,526</u>	<u>28,848</u>	<u>64,900</u>	<u>195,638</u>
Net assets		<u>132,481</u>	<u>108,158</u>	<u>110,870</u>	<u>71,762</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	24	—	—	—*	—*
Reserves	25	132,481	105,008	105,770	69,762
Equity attributable to owners of the parent		132,481	105,008	105,770	69,762
Non-controlling interests		—	3,150	5,100	2,000
Total equity		<u>132,481</u>	<u>108,158</u>	<u>110,870</u>	<u>71,762</u>

* Less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					Total equity RMB'000
	Share capital	Capital reserve*	Statutory surplus reserve*	Other reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note 24	Note 25	Note 25	Note 25	Note 25	
At 1 January 2016	—	—	16,600	(17,806)	122,813	121,607
Profit for the year and total comprehensive income for the year	—	—	—	—	14,766	14,766
Reorganisation [#]	—	—	—	(3,892)	—	(3,892)
Transfer from retained profits	—	—	2,343	—	(2,343)	—
At 31 December 2016	—	—	18,943	(21,698)	135,236	132,481

	Attributable to owners of the parent					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Capital reserve*	Statutory surplus reserve*	Other reserve*	Retained profits*		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	Note 24	Note 25	Note 25	Note 25	Note 25		
At 1 January 2017	—	—	18,943	(21,698)	135,236	—	132,481
Profit for the year and total comprehensive income for the year	—	—	—	—	30,679	—	30,679
Capital injection from non-controlling interests	—	—	—	—	—	3,150	3,150
Reorganisation [#]	—	—	—	(10,565)	—	—	(10,565)
Dividend declared (note 11)	—	—	—	—	(47,587)	—	(47,587)
Transfer from retained profits	—	—	2,567	—	(2,567)	—	—
At 31 December 2017	—	—	21,510	(32,263)	115,761	3,150	108,158

	Attributable to owners of the parent					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Capital reserve*	Statutory surplus reserve*	Other reserve*	Retained Profits*		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	Note 24	Note 25	Note 25	Note 25	Note 25		
At 1 January 2018	—	—	21,510	(32,263)	115,761	3,150	108,158
Profit for the year and total comprehensive income for the year	—	—	—	—	34,438	—	34,438
Capital injection from non-controlling interests	—	—	—	—	—	1,950	1,950
Reorganisation [#]	—	—	—	(9,477)	—	—	(9,477)
Dividend declared (note 11)	—	—	—	—	(24,199)	—	(24,199)
Transfer from retained profits	—	—	4,604	—	(4,604)	—	—
At 31 December 2018	—**	—	26,114	(41,740)	121,396	5,100	110,870

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory Surplus reserve	Other reserve	Retained Profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	Note 24	Note 25	Note 25	Note 25	Note 25			
At 1 January 2018	—	—	21,510	(32,263)	115,761	105,008	3,150	108,158
Profit for the period and total comprehensive income for the period	—	—	—	—	4,209	4,209	—	4,209
Reorganisation	—	—	—	332	—	332	—	332
Transfer from retained profits	—	—	1,034	—	(1,034)	—	—	—
At 30 April 2018 (Unaudited)	—	—	22,544	(31,931)	118,936	109,549	3,150	112,699

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Statutory Surplus reserve*	Other reserve*	Retained Profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	Note 24	Note 25	Note 25	Note 25	Note 25			
At 1 January 2019	—	—	26,114	(41,740)	121,396	105,770	5,100	110,870
Profit for the period and total comprehensive income for the period	—	—	—	—	5,844	5,844	—	5,844
Acquisition of non-controlling interests	—	—	—	—	—	—	(3,100)	(3,100)
Reorganisation [#]	—	—	—	(32,772)	—	(32,772)	—	(32,772)
Dividend declared (note 11)	—	—	—	—	(9,080)	(9,080)	—	(9,080)
Transfer from retained profits	—	—	1,260	—	(1,260)	—	—	—
At 30 April 2019	—**	—	27,374	(74,512)	116,900	69,762	2,000	71,762

* These reserve accounts comprise the reserves of RMB132,481,000, RMB105,008,000, RMB105,770,000 and RMB69,762,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

** Less than RMB1,000.

[#] The amounts comprise the reserves arising from Corporate Reorganisation of RMB3,892,000, RMB5,565,000, RMB523,000 and RMB1,228,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, and reserves arising from acquisition of subsidiaries from the Controlling Shareholder of nil, RMB5,000,000, RMB10,000,000 and RMB34,000,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		23,098	43,441	53,500	9,437	11,475
Adjustments for:						
Finance costs	7	7,061	5,767	6,995	1,683	4,272
Interest income	5	(1,025)	(777)	(2,879)	(1,374)	(735)
Gain on disposal of items of property, plant and equipment	5	(1,621)	(2,327)	(532)	(375)	(301)
Depreciation	6	12,776	12,834	12,350	4,470	4,185
Depreciation of right-of-use assets/ recognition of prepaid land lease payments	6	4,243	4,328	4,817	1,606	2,759
Impairment/(reversal of impairment) of trade receivables	6	12	(8)	16	18	(5)
Write-down of inventories to net realisable value	6	543	482	591	939	1,621
		<u>45,087</u>	<u>63,740</u>	<u>74,858</u>	<u>16,404</u>	<u>23,271</u>
Decrease/(increase) in inventories		68,269	6,428	(72,245)	(31,176)	(4,466)
Decrease/(increase) in trade receivables		2,155	775	(1,554)	(1,551)	402
Decrease/(increase) in prepayments, other receivables and other assets		11,248	(19,683)	(22,107)	25,971	14,246
Decrease/(increase) in pledged deposits		(22,290)	(3,231)	19,693	67,693	48,000
Increase in amounts due from related companies		—	—	—	—	(1,738)
Increase/(decrease) in trade and bill payables		2,814	(55,500)	(34,255)	(89,541)	(41,838)
Increase/(decrease) in other payables and accruals		(11,414)	247	8,706	(1,111)	(1,087)
Increase/(decrease) in contract liabilities		<u>6,466</u>	<u>(6,873)</u>	<u>28,542</u>	<u>(4,617)</u>	<u>4,320</u>
Cash generated from operations		<u>102,335</u>	<u>(14,097)</u>	<u>1,638</u>	<u>(17,928)</u>	<u>41,110</u>
Interest received		1,025	777	2,879	1,374	735
Corporate income tax paid		<u>(5,530)</u>	<u>(9,211)</u>	<u>(13,219)</u>	<u>(4,765)</u>	<u>(4,453)</u>
Net cash flows from/(used in) operating activities		<u>97,830</u>	<u>(22,531)</u>	<u>(8,702)</u>	<u>(21,319)</u>	<u>37,392</u>

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)	
Net cash flows from/(used in) operating activities		<u>97,830</u>	<u>(22,531)</u>	<u>(8,702)</u>	<u>(21,319)</u>	<u>37,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	13	(19,893)	(9,612)	(41,983)	(7,278)	(12,071)
Proceeds from disposal of items of property, plant and equipment		<u>6,281</u>	<u>7,896</u>	<u>20,171</u>	<u>1,650</u>	<u>1,453</u>
Net cash flows used in investing activities		<u>(13,612)</u>	<u>(1,716)</u>	<u>(21,812)</u>	<u>(5,628)</u>	<u>(10,618)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(5,201)	(4,027)	(5,349)	(1,134)	(3,609)
New bank borrowings		89,500	77,000	212,400	22,000	147,180
Repayment of bank borrowings		(129,900)	(82,000)	(109,200)	(33,000)	(22,000)
Increase/(decrease) in an amount due to a director		14,370	20,030	7,950	(2,273)	(118,762)
Decrease/(increased) in amounts due from related companies		1,050	300	(17,986)	(3,944)	(5,248)
Capital contribution from/(Acquisition of) non-controlling interests		—	3,150	1,950	—	(3,100)
Payment for reorganisation		—	—	(15,000)	—	(34,000)
Dividends paid		—	(1,647)	(60,139)	—	(19,080)
Principal portion of lease payments	14	<u>(4,394)</u>	<u>(4,564)</u>	<u>(5,183)</u>	<u>(1,625)</u>	<u>(3,020)</u>
Net cash flows from/(used in) financing activities		<u>(34,575)</u>	<u>8,242</u>	<u>9,443</u>	<u>(19,976)</u>	<u>(61,639)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49,643	(16,005)	(21,071)	(46,923)	(34,865)
Cash and cash equivalents at beginning of year/period		<u>37,480</u>	<u>87,123</u>	<u>71,118</u>	<u>71,118</u>	<u>50,047</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>87,123</u>	<u>71,118</u>	<u>50,047</u>	<u>24,195</u>	<u>15,182</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		190,585	177,811	137,047	63,195	54,182
Cash and cash equivalents as stated in the statements of financial position	19	<u>87,123</u>	<u>71,118</u>	<u>50,047</u>	<u>24,195</u>	<u>15,182</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2018 <i>RMB'000</i>	As at 30 April 2019 <i>RMB'000</i>
NON-CURRENT ASSETS		
Investments in subsidiaries	—	—*
Total non-current assets	—	—*
CURRENT LIABILITIES		
Other payables and accruals	—*	—*
Total current liabilities	—*	—*
NET CURRENT LIABILITIES	—*	—*
EQUITY		
Share capital	—*	—*
Total equity	—*	—*

* *Less than RMB1,000.*

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was a limited liability company incorporated in the Cayman Islands on 4 October 2018. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries engaged in the sale and service of motor vehicles and provision of service in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its corporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Chong Wai Limited (note b)	British Virgin Islands ("BVI")/ 2 November 2018	US\$1	100	—	Investment holding
Centenary Development Limited (note b)	Hong Kong/ 19 November 2018	HK\$1	—	100	Investment holding
Zhongshan Chongjie Enterprise Management Consulting Limited* 中山市崇杰企業管理諮詢有限公司 (note b)	PRC/Mainland China/ 11 January 2019	RMB1,000,000	—	100	Provision of enterprise management information consulting services and enterprise investment consulting services
Zhongshan New Century Automobile Sales and Services Co., Ltd.* 中山市創世紀汽車銷售服務有限公司 (note b)	PRC/Mainland China 11 January 2019	RMB5,000,000	—	100	Sales and import of motor vehicles under the brand FAW Volkswagen and spare parts, sales of used vehicles, concurrent business, insurance agency business
Zhongshan New Century Toyota Automobile Sales and Services Co., Ltd* 中山市創世紀豐田汽車銷售服務有限公司 (note a)	PRC/Mainland China 4 July 2002	RMB10,000,000	—	100	Sales and import of motor vehicles under FAW Toyota and spare parts, sales of used vehicles and provision of vehicle repair services

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Chuangxian Automobile Sales and Services Co., Ltd.* 中山市創現汽車銷售服務有限公司 (note a)	PRC/Mainland China 12 December 2003	RMB10,000,000	—	100	Sales of motor vehicles under Beijing Hyundai and spare parts; sales of used vehicles, provision of vehicle repair services
Zhongshan New Century Jucheng Automobile Co., Ltd.* 中山市創世紀菊城汽車有限公司 (note a)	PRC/Mainland China 31 August 2007	RMB5,000,000	—	100	Sales and import of motor vehicles under the brand Dongfeng Nissan and spare parts, sales of used vehicles and provision of vehicle repair services
Zhongshan Dongri Automobile Sales and Services Co., Ltd.* 中山市東日汽車銷售服務有限公司 (note b)	PRC/Mainland China 18 December 2018	RMB5,000,000	—	100	Sales and import of motor vehicles under the brand Dongfeng Nissan and spare parts; sales of used vehicles, concurrent business, insurance agency business
Zhongshan Chuangri Automobile Co., Ltd.* 中山市創日汽車有限公司 (note a)	PRC/Mainland China 11 September 2009	RMB5,000,000	—	100	Sales of motor vehicles under the brand Dongfeng Nissan and spare parts, used vehicles and provision of vehicle repair services
Zhongshan New Century Chengnan Automobile Co., Ltd.* 中山市創世紀城南汽車有限公司 (note a)	PRC/Mainland China 9 December 2010	RMB5,000,000	—	100	Sales of motor vehicles under Beijing Hyundai and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Chuangtong Automobile Co., Ltd.* 中山市創通汽車有限公司 (note a)	PRC/Mainland China 2 June 2011	RMB5,000,000	—	100	Sales of motor vehicles under Buick and spare parts, used vehicles and provision of vehicle repair services

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Dongyue Automobile Co., Ltd.* 中山市東月汽車有限公司 (note a)	PRC/Mainland China 6 July 2011	RMB5,000,000	—	100	Sales of motor vehicles under the brand Dongfeng Venucia and spare parts; sales of used vehicles, provision of vehicle repair services
Zhongshan Chuangzhi Automobile Co., Ltd.* 中山市創志汽車有限公司 (note a)	PRC/Mainland China 31 October 2011	RMB5,000,000	—	100	Sales of motor vehicles under Chevrolet and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Chuangcheng Automobile Co., Ltd.* 中山市創誠汽車有限公司 (note a)	PRC/Mainland China 31 October 2011	RMB5,000,000	—	100	Sale of motor vehicles under the brand name Dongfeng Nissan, spare parts and used vehicles, provision of vehicle repair services, operation and management of the Chuangcheng second hand market
Zhongshan New Century Mingcheng Automobile Co., Ltd.* 中山市創世紀名城汽車有限公司 (note a)	PRC/Mainland China 22 October 2014	RMB5,000,000	—	100	Sales of motor vehicles under the brand names Dongfeng Nissan and Dongfeng Venucia and spare parts
Zhongshan New Century Fast Lane Automobile Services Co., Ltd.* 中山市創世紀快車道汽車服務有限公司 (note a)	PRC/Mainland China 22 January 2015	RMB1,000,000	—	100	Sales of motor vehicles and spare parts, used vehicles and provision of vehicle repair services
Guangdong Chuangcheng Car Insurance Agency Co., Ltd.* 廣東創誠汽車保險代理有限公司 (note a)	PRC/Mainland China 21 June 2016	RMB10,000,000	—	100	Insurance agency business

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Century Jaguar Automobile Co., Ltd.* 中山市世紀捷虎汽車有限公司 (note b)	PRC/Mainland China 1 February 2016	RMB15,000,000	—	100	Sales of motor vehicles under the brand names Jaguar and Land Rover, spare parts and used vehicles and provision of vehicle repair services, concurrent business insurance agency business
Zhongshan New Century Second-hand Car Market Co., Ltd.* 中山市創世紀二手車交易市場有限公司 (note b)	PRC/Mainland China 30 July 2018	RMB500,000	—	100	Operation of used vehicle market, sales of used vehicles; provision of consultancy services in relation to sales of used vehicles and provision of inspection services of motor vehicles
Zhongshan Century Cadillac Automobile Co., Ltd.* 中山市世紀凱迪汽車有限公司 (note b)	PRC/Mainland China 17 April 2018	RMB10,000,000	—	80	Sales of motor vehicles under Cadillac, spare parts, maintenance of motor vehicles, concurrent business, insurance agency business

Notes:

- (a) These entities have not appointed an auditor to issue statutory financial statements for the years ended 31 December 2016, 2017 and 2018 as they were not required to prepare statutory financial statements by local authorities.
- (b) No audited financial statements have been prepared as the entity was newly established in 2018 or 2019.

* The English names of all the above companies represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group.

The companies now comprising the Group were under the common control of Mr. Law Hau Kit (the “Controlling Shareholder”) before and after the Reorganisation. Accordingly, for the purposes of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

And for the purpose of this report, the historical financial information of the businesses, which were acquired by the Group after being transferred from the Controlling Shareholder’s subsidiaries, namely Zhongshan New Century Pioneering Automobile Co., Limited and Zhongshan Dongri Automobile Co., Ltd., to Zhongshan New Century Automobile Sales and Services Co., Ltd. and Zhongshan Dongri Automobile Sales and Services Co., Ltd., respectively, has been prepared by segregating from the books and records of Zhongshan New Century Pioneering Automobile Co., Limited and Zhongshan Dongri Automobile Co., Ltd. throughout the Relevant Periods as these businesses had been separately managed and financially controlled within Zhongshan New Century Pioneering Automobile Co., Limited and Zhongshan Dongri Automobile Co., Ltd. and the historical financial information attributable to these businesses were practically identifiable.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where the shorter period shall prevail. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”).

The Historical Financial Information has been prepared under the historical cost convention.

2.3 NEW AND AMENDED STANDARDS EARLY ADOPTED BY THE GROUP

All IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and related amendments to IFRS 15 *Classification to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases* have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in preparation of the Historical Financial Information.

Amendments to IFRS 3	<i>Definition of a Business¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material¹</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The directors of the Group do not anticipate that the application of the new and revised IFRSs and interpretations above will have a material effect on the Group's consolidated financial statements and the disclosures in the future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividend received and receivable.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net 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, recognised 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. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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 recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made as at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) The entity and the Group are members of the same group;
 - (ii) One entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) The entity and the Group are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 capitalised 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, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the 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	Over the shorter of the lease terms and 4.75%
Leasehold improvements	Over the shorter of the lease terms and 20%
Motor vehicles	19%
Office equipment and other facilities	19%
Plant and equipment	19%

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 method are reviewed, and adjusted if appropriate, at least as at each financial year end.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Since 1 January 2016, the Group as a lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered into for all leases in the statement of financial position.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the Group's policies.

For the determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- a) is within the control of the Group; and
- b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an extension option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liability by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group uses a revised discount rate that reflects changes in the interest rate.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising:

- a) an amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, a lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent management of the financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividend are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed and unlisted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividend on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and bills payables, other payables, interest-bearing bank and other borrowings, amount due to a related company and amount due to a director.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Other than spare parts, cost is determined on the first-in, first-out basis. Cost of spare parts is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where

the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

Revenue from the sale of motor vehicles, spare parts, accessories and other automobile-related products is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the product.

(b) Provision of services

Revenue from provision of services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Interest income

Interest income from a financial asset is recognised 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.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Incentive rebates

Incentive rebates provided by automobile manufacturers are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

During the year ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019, the Group recognised incentive rebates relating to vehicles purchased and sold in cost of sales of approximately RMB187.6 million, RMB239.3 million, RMB340.5 million and RMB139.4 million, respectively.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group recognised incentive rebates relating to vehicle purchased but still held as inventories of approximately RMB24.9 million, RMB42.0 million, RMB34.4 million and RMB28.2 million, respectively.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividend are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Interim dividend are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividend. Consequently, interim dividend are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, 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 could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's

length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the Relevant Periods. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down and reversal of write-down of inventories in the period in which such estimate has been changed.

Accrual of vendor rebate

The Group reviews the accruals of vendor rebate at the end of each reporting period by reference to the rebates receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals of vendor rebates involve management estimation and the extent of rebates entitlement under the respective categories of vendor rebates. Specific factors that management consider include the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers.

4. OPERATING SEGMENT INFORMATION

The Group principally engages in the sale and service of motor vehicles in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Revenue from contracts with customers					
(i) Disaggregation revenue information					
Types of goods or service					
Sale of motor vehicles	1,573,106	1,635,342	1,658,936	444,848	487,702
Others	<u>261,595</u>	<u>269,577</u>	<u>281,375</u>	<u>86,452</u>	<u>80,627</u>
	<u>1,834,701</u>	<u>1,904,919</u>	<u>1,940,311</u>	<u>531,300</u>	<u>568,329</u>
Timing of revenue recognition					
Transferred at a point in time	1,687,806	1,752,442	1,767,923	474,490	501,504
Transferred over time	<u>146,895</u>	<u>152,477</u>	<u>172,388</u>	<u>56,810</u>	<u>66,825</u>
	<u>1,834,701</u>	<u>1,904,919</u>	<u>1,940,311</u>	<u>531,300</u>	<u>568,329</u>

(ii) Performance obligation

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the merchandised products and payment in advance is generally required.

Provision of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of the service and customer acceptance.

The unsatisfied performance obligations are expected to be satisfied within one year.

	Year ended 31 December			Four months ended April	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Other income and gains					
Interest income	1,025	777	2,879	1,374	735
Government grant released*	609	759	953	27	20
Gain on disposal of property, plant and equipment	1,621	2,327	532	375	301
Others**	<u>4,755</u>	<u>4,270</u>	<u>8,334</u>	<u>2,350</u>	<u>3,054</u>
	<u>8,010</u>	<u>8,133</u>	<u>12,698</u>	<u>4,126</u>	<u>4,110</u>

* Government grant released represented the funds for hosting of vehicle exhibitions and other promotional activities from the PRC government authorities. There were no unfulfilled conditions or contingencies in relation to the grants.

** Others mainly included commission income from releasing vehicle mortgage for the customers, commission income from third party financing institution for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Employee benefit expense (excluding directors' remuneration):						
Wages and salaries		69,777	78,083	78,051	25,250	25,370
Pension scheme contributions		7,072	7,572	8,043	2,500	2,677
		<u>76,849</u>	<u>85,655</u>	<u>86,094</u>	<u>27,750</u>	<u>28,047</u>
Cost of inventories sold [#]		1,589,009	1,634,129	1,626,456	439,461	462,235
Cost of services provided		123,327	125,368	139,477	47,345	51,782
Depreciation	13	12,776	12,834	12,350	4,470	4,185
Depreciation of right-of-use assets	14	4,243	4,328	4,817	1,606	2,759
Listing expenses		—	—	7,430	—	4,927
Gain on disposal of property, plant and equipment		(1,621)	(2,327)	(532)	(375)	(301)
Impairment/(reversal of impairment) of trade receivables*	17	12	(8)	16	18	(5)
Write-down of inventories to net realisable value		543	482	591	939	1,621
Interest income		(1,025)	(777)	(2,879)	(1,374)	(735)
Minimum lease payments under operating leases		<u>4,359</u>	<u>5,470</u>	<u>5,890</u>	<u>1,683</u>	<u>2,473</u>

[#] Inclusive of write-down of inventories to net realisable value.

* Included in "Other expenses, net" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Interests on bank borrowings		5,201	4,027	5,349	1,134	3,609
Unwinding of finance costs on lease liability		<u>1,860</u>	<u>1,740</u>	<u>1,646</u>	<u>549</u>	<u>663</u>
		<u>7,061</u>	<u>5,767</u>	<u>6,995</u>	<u>1,683</u>	<u>4,272</u>

8. DIRECTORS' REMUNERATION

Mr. Law Hau Kit was appointed as director of the Company on 4 October 2018. Mr. Chen Shao Xing and Ms. Li Hui Fang were subsequently appointed as directors of the Company on 31 January 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors which has been recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other emoluments:					
Salaries, allowances and benefits in kind	615	740	825	261	349
Pension scheme contributions	25	22	61	13	18
	<u>640</u>	<u>762</u>	<u>886</u>	<u>274</u>	<u>367</u>

(a) Independent non-executive directors

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

Year ended 31 December 2016

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:			
Mr. Law Hau Kit	234	—	234
Mr. Chen Shaoxing	194	16	210
Ms. Li Huifang	187	9	196
	<u>615</u>	<u>25</u>	<u>640</u>

Year ended 31 December 2017

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:			
Mr. Law Hau Kit	302	—	302
Mr. Chen Shaoxing	250	16	266
Ms. Li Huifang	188	6	194
	<u>740</u>	<u>22</u>	<u>762</u>

Year ended 31 December 2018

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:			
Mr. Law Hau Kit	354	—	354
Mr. Chen Shaoxing	270	35	305
Ms. Li Huifang	201	26	227
	<u>825</u>	<u>61</u>	<u>886</u>

Four months ended 30 April 2018 (Unaudited)

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:			
Mr. Law Hau Kit	114	—	114
Mr. Chen Shaoxing	86	8	94
Ms. Li Huifang	61	5	66
	<u>261</u>	<u>13</u>	<u>274</u>

Four months ended 30 April 2019

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:			
Mr. Law Hau Kit	132	—	132
Mr. Chen Shaoxing	135	10	145
Ms. Li Huifang	82	8	90
	<u>349</u>	<u>18</u>	<u>367</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two directors in 2016, 2017 and four months ended 30 April 2018 and three directors in 2018 and four months ended 30 April 2019. Details of the remuneration for the Relevant Periods of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	415	478	403	192	154
Pension scheme contributions	<u>54</u>	<u>62</u>	<u>52</u>	<u>17</u>	<u>14</u>
	<u>469</u>	<u>540</u>	<u>455</u>	<u>209</u>	<u>168</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to these senior management personnel as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

PRC Corporate Income Tax ("CIT")

Pursuant to the CIT Law and the respective regulations, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the years ended 31 December 2016, 2017 and 2018 and for the four months ended 30 April 2019.

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Relevant Periods.

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current — the PRC					
Charge for the year/period	9,448	11,109	18,048	5,397	6,389
Deferred (note 15)	<u>(1,116)</u>	<u>1,653</u>	<u>1,014</u>	<u>(169)</u>	<u>(758)</u>
Total tax charge for the year/ period	<u>8,332</u>	<u>12,762</u>	<u>19,062</u>	<u>5,228</u>	<u>5,631</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the majority of the Group's subsidiaries to the tax expense at the effective tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	<u>23,098</u>	<u>43,441</u>	<u>53,500</u>	<u>9,437</u>	<u>11,475</u>
Tax at the statutory tax rate	5,775	10,860	13,375	2,359	2,869
Expenses not deductible for tax	2,506	2,023	5,865	1,778	2,762
Tax losses utilised from previous periods	(70)	(248)	(302)	—	(180)
Tax effect of tax losses not recognised	<u>121</u>	<u>127</u>	<u>124</u>	<u>1,091</u>	<u>180</u>
Tax charge at the effective rate	<u>8,332</u>	<u>12,762</u>	<u>19,062</u>	<u>5,228</u>	<u>5,631</u>

11. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. Dividends of RMB47,587,000 in aggregate have been declared by certain subsidiaries for the year ended 31 December 2017 and paid in 2017 and 2018. Dividends of RMB24,199,000 in aggregate have been declared by certain subsidiaries in 2018 and paid in 2018 and 2019. Dividends of RMB9,080,000 in aggregate have been declared and paid by certain subsidiaries during the four months ended 30 April 2019.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purposes of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2016

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment and other facilities <i>RMB'000</i>	Plant and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016:							
Cost	74,262	10,039	33,713	12,629	11,710	997	143,350
Accumulated depreciation	(10,658)	(3,294)	(18,408)	(8,809)	(7,687)	—	(48,856)
Net carrying amount	<u>63,604</u>	<u>6,745</u>	<u>15,305</u>	<u>3,820</u>	<u>4,023</u>	<u>997</u>	<u>94,494</u>
At 1 January 2016, net of accumulated depreciation	63,604	6,745	15,305	3,820	4,023	997	94,494
Additions	1,574	662	8,775	326	198	8,358	19,893
Transfers	7,638	1,084	—	294	229	(9,245)	—
Disposals	—	—	(4,660)	—	—	—	(4,660)
Depreciation provided during the year (<i>note 6</i>)	<u>(3,835)</u>	<u>(1,796)</u>	<u>(4,744)</u>	<u>(1,332)</u>	<u>(1,069)</u>	<u>—</u>	<u>(12,776)</u>
At 31 December 2016, net of accumulated depreciation	<u>68,981</u>	<u>6,695</u>	<u>14,676</u>	<u>3,108</u>	<u>3,381</u>	<u>110</u>	<u>96,951</u>
At 31 December 2016							
Cost	83,474	11,785	35,660	13,249	12,137	110	156,415
Accumulated depreciation	<u>(14,493)</u>	<u>(5,090)</u>	<u>(20,984)</u>	<u>(10,141)</u>	<u>(8,756)</u>	<u>—</u>	<u>(59,464)</u>
Net carrying amount	<u>68,981</u>	<u>6,695</u>	<u>14,676</u>	<u>3,108</u>	<u>3,381</u>	<u>110</u>	<u>96,951</u>

31 December 2017

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment and other facilities <i>RMB'000</i>	Plant and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017:							
Cost	83,474	11,785	35,660	13,249	12,137	110	156,415
Accumulated depreciation	(14,493)	(5,090)	(20,984)	(10,141)	(8,756)	—	(59,464)
Net carrying amount	<u>68,981</u>	<u>6,695</u>	<u>14,676</u>	<u>3,108</u>	<u>3,381</u>	<u>110</u>	<u>96,951</u>
At 1 January 2017, net of accumulated depreciation	68,981	6,695	14,676	3,108	3,381	110	96,951
Additions	1,131	398	6,455	91	386	1,151	9,612
Disposals	—	—	(5,568)	—	—	—	(5,568)
Depreciation provided during the year (<i>note 6</i>)	(4,251)	(1,955)	(4,517)	(1,175)	(936)	—	(12,834)
At 31 December 2017, net of accumulated depreciation	<u>65,861</u>	<u>5,138</u>	<u>11,046</u>	<u>2,024</u>	<u>2,831</u>	<u>1,261</u>	<u>88,161</u>
At 31 December 2017							
Cost	84,605	12,183	32,612	13,340	12,523	1,261	156,524
Accumulated depreciation	(18,744)	(7,045)	(21,566)	(11,316)	(9,692)	—	(68,363)
Net carrying amount	<u>65,861</u>	<u>5,138</u>	<u>11,046</u>	<u>2,024</u>	<u>2,831</u>	<u>1,261</u>	<u>88,161</u>

31 December 2018

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment and other facilities <i>RMB'000</i>	Plant and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018:							
Cost	84,605	12,183	32,612	13,340	12,523	1,261	156,524
Accumulated depreciation	(18,744)	(7,045)	(21,566)	(11,316)	(9,692)	—	(68,363)
Net carrying amount	<u>65,861</u>	<u>5,138</u>	<u>11,046</u>	<u>2,024</u>	<u>2,831</u>	<u>1,261</u>	<u>88,161</u>
At 1 January 2018, net of accumulated depreciation	65,861	5,138	11,046	2,024	2,831	1,261	88,161
Additions	885	3,636	24,114	1,246	671	11,431	41,983
Disposals	—	—	(19,579)	(60)	—	—	(19,639)
Depreciation provided during the year (<i>note 6</i>)	(4,249)	(2,610)	(3,292)	(1,376)	(823)	—	(12,350)
At 31 December 2018, net of accumulated depreciation	<u>62,497</u>	<u>6,164</u>	<u>12,289</u>	<u>1,834</u>	<u>2,679</u>	<u>12,692</u>	<u>98,155</u>
At 31 December 2018							
Cost	85,490	15,819	35,517	14,148	13,194	12,692	176,860
Accumulated depreciation	(22,993)	(9,655)	(23,228)	(12,314)	(10,515)	—	(78,705)
Net carrying amount	<u>62,497</u>	<u>6,164</u>	<u>12,289</u>	<u>1,834</u>	<u>2,679</u>	<u>12,692</u>	<u>98,155</u>

30 April 2019

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment and other facilities <i>RMB'000</i>	Plant and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019:							
Cost	85,490	15,819	35,517	14,148	13,194	12,692	176,860
Accumulated depreciation	(22,993)	(9,655)	(23,228)	(12,314)	(10,515)	—	(78,705)
Net carrying amount	<u>62,497</u>	<u>6,164</u>	<u>12,289</u>	<u>1,834</u>	<u>2,679</u>	<u>12,692</u>	<u>98,155</u>
At 1 January 2019, net of accumulated depreciation	62,497	6,164	12,289	1,834	2,679	12,692	98,155
Additions	—	3,147	3,665	9	51	5,199	12,071
Disposals	(3)	—	(1,091)	(58)	—	—	(1,152)
Depreciation provided during the period (note 6)	<u>(1,428)</u>	<u>(1,134)</u>	<u>(1,113)</u>	<u>(269)</u>	<u>(241)</u>	<u>—</u>	<u>(4,185)</u>
At 30 April 2019, net of accumulated depreciation	<u>61,066</u>	<u>8,177</u>	<u>13,750</u>	<u>1,516</u>	<u>2,489</u>	<u>17,891</u>	<u>104,889</u>
At 30 April 2019							
Cost	85,457	18,966	36,418	12,454	13,243	17,891	184,429
Accumulated depreciation	(24,391)	(10,789)	(22,668)	(10,938)	(10,754)	—	(79,540)
Net carrying amount	<u>61,066</u>	<u>8,177</u>	<u>13,750</u>	<u>1,516</u>	<u>2,489</u>	<u>17,891</u>	<u>104,889</u>

The Group's buildings are located in Mainland China.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amounts of approximately RMB68,981,000, RMB65,861,000, RMB62,497,000 and RMB61,066,000, respectively.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, certain of the Group's buildings with a net carrying amount of approximately RMB10,460,000, nil, nil and nil, respectively, were pledged to secure banking facilities granted to the Group (note 23).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right of use assets				
At January 1	43,209	44,395	40,356	36,398
Additions	5,429	289	859	13,559
Depreciation provided during the year/period	<u>(4,243)</u>	<u>(4,328)</u>	<u>(4,817)</u>	<u>(2,759)</u>
At 31 December/30 April	<u>44,395</u>	<u>40,356</u>	<u>36,398</u>	<u>47,198</u>
At 31 December/30 April				
Cost	54,813	55,102	55,961	69,520
Accumulated depreciation	<u>(10,418)</u>	<u>(14,746)</u>	<u>(19,563)</u>	<u>(22,322)</u>
Net carrying amount	<u>44,395</u>	<u>40,356</u>	<u>36,398</u>	<u>47,198</u>

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The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

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15. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax assets

	Tax losses <i>RMB'000</i>
At 1 January 2016	2,508
Credited to profit or loss during the year (<i>note 10</i>)	<u>1,116</u>
At 31 December 2016 and 1 January 2017	<u><u>3,624</u></u>
Charged to profit or loss during the year (<i>note 10</i>)	<u>(1,653)</u>
At 31 December 2017 and 1 January 2018	<u><u>1,971</u></u>
Charged to profit or loss during the year (<i>note 10</i>)	<u>(1,014)</u>
At 31 December 2018	<u><u>957</u></u>
Charged to profit or loss during the period (<i>note 10</i>)	(758)
At 30 April 2019	<u><u>199</u></u>

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group has tax losses arising in Mainland China of RMB12,174,000, RMB10,877,000, RMB8,162,000 and RMB725,000, respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised as it is not probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately nil, nil, RMB6,741,000 and RMB12,955,000.

16. INVENTORIES

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Vehicles	168,888	160,897	237,562	237,872
Accessories	9,050	10,131	5,120	7,655
	<u>177,938</u>	<u>171,028</u>	<u>242,682</u>	<u>245,527</u>

At 31 December 2016, 2017 and 2018 and 30 April 2019, the Group's inventories with a carrying amount of RMB5,000,000, RMB5,000,000, nil and RMB5,000,000, respectively, were pledged as security for the Group's bank loans, as further detailed in note 23 to the Historical Financial Information.

17. TRADE RECEIVABLES

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	<u>1,387</u>	<u>612</u>	<u>2,166</u>	<u>1,764</u>
Impairment	<u>(14)</u>	<u>(6)</u>	<u>(22)</u>	<u>(17)</u>
	<u>1,373</u>	<u>606</u>	<u>2,144</u>	<u>1,747</u>

Trade receivables of the Group represented proceeds receivable from the provision of services. The Group's trading terms with its customers normally require payment in advance, except for certain of provision of services where credit is allowed. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group's trade receivables related to a large number of diversified customers. In view of the aforementioned, there is no significant concentration of credit risk as at 31 December 2016, 2017 and 2018 and 30 April 2019. Trade receivables were interest-free and unsecured as at 31 December 2016, 2017 and 2018 and 30 April 2019.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	<u>1,373</u>	<u>606</u>	<u>2,144</u>	<u>1,747</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	2	14	6	22
Impairment losses recognised/ (reversed) (note 6)	12	(8)	16	(5)
At end of year/period	14	6	22	17

As at 31 December 2016

	Invoice day Within 3 months
Expected credit loss rate	1%
Gross carrying amount (RMB'000)	1,387
Expected credit losses (RMB'000)	14

As at 31 December 2017

	Invoice day Within 3 months
Expected credit loss rate	1%
Gross carrying amount (RMB'000)	612
Expected credit losses (RMB'000)	6

As at 31 December 2018

	Invoice day Within 3 months
Expected credit loss rate	1%
Gross carrying amount (RMB'000)	2,166
Expected credit losses (RMB'000)	22

As at 30 April 2019

	Invoice day Within 3 months
Expected credit loss rate	1%
Gross carrying amount (RMB'000)	1,764
Expected credit losses (RMB'000)	17

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days of ageing. The expected loss rate of trade receivables is assessed to be approximately 1%. There was no significant change in the ECL rates during the Relevant Periods, which was mainly due to no significant changes in the historical default rates of trade receivables, economic conditions and performance and behavior of the customers were noted, based on which the ECL rates are determined.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	91,738	102,812	110,309	93,424
Deposits	6,052	4,906	3,384	3,352
Current portion of prepaid land lease payment	502	502	502	502
Value added taxes recoverable	19,091	19,435	29,125	36,485
Prepayments	3,256	4,687	2,398	1,892
Other receivables	1,272	3,686	12,940	9,984
	<u>121,911</u>	<u>136,028</u>	<u>158,658</u>	<u>145,639</u>

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances. Other receivables are non-interest-bearing and not secured with collateral.

Other receivables were settled within 12 months and had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the Relevant Periods, the Group estimated the expected loss rate for other receivables is minimal.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSIT

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>190,585</u>	<u>177,811</u>	<u>137,047</u>	<u>54,182</u>
Less: Pledged deposits				
Pledged for bills payables	<u>(103,462)</u>	<u>(106,693)</u>	<u>(87,000)</u>	<u>(39,000)</u>
Cash and cash equivalents	<u>87,123</u>	<u>71,118</u>	<u>50,047</u>	<u>15,182</u>

At the end of the Relevant Periods, the cash and bank balances of the Group all denominated in RMB. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and term deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables				
Within 3 months	180,500	95,000	76,000	44,000
3 to 12 months	<u>19,063</u>	<u>49,063</u>	<u>33,808</u>	<u>23,970</u>
	<u>199,563</u>	<u>144,063</u>	<u>109,808</u>	<u>67,970</u>

The trade and bills payables are non-interest-bearing and are normally settled on a 90 to 180 days' term.

21. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contracts with customers:

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities:				
Advances from customers	<u>37,893</u>	<u>31,020</u>	<u>59,562</u>	<u>63,882</u>

The contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received consideration, or for which an amount of consideration is due from the customers.

Changes in contract liabilities during the Relevant Periods are as follows:

	Year ended 31 December		As at 30 April	
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	31,427	37,893	31,020	59,562
Revenue recognised that was included in the contract liabilities at the beginning of the year/period	(31,427)	(37,893)	(31,020)	(59,562)
Increases due to cash received, excluding amounts recognised as revenue during the year/period	<u>37,893</u>	<u>31,020</u>	<u>59,562</u>	<u>63,882</u>
At end of the year/period	<u>37,893</u>	<u>31,020</u>	<u>59,562</u>	<u>63,882</u>

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liability (note 14)	34,061	31,526	28,848	40,050
Payroll payable	7,869	8,586	11,014	7,417
Other tax payables	14,142	13,328	11,020	11,931
Others	10,126	10,470	19,056	20,654
	<u>66,198</u>	<u>63,910</u>	<u>69,938</u>	<u>80,052</u>
Analysed into:				
Non-current portion	31,526	28,848	25,700	32,258
Current portion	<u>34,672</u>	<u>35,062</u>	<u>44,238</u>	<u>47,794</u>
	<u>66,198</u>	<u>63,910</u>	<u>69,938</u>	<u>80,052</u>

The above balances are unsecured and non-interest bearing. The carrying amounts of other payables and accruals as at the end of each of the Relevant Periods approximated to their fair values due to their short term maturities.

23. INTEREST-BEARING BANK BORROWINGS

	2016		2017		2018		30 April 2019	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	Maturity	%	Maturity	%	Maturity	%	Maturity
Current								
Bank loans								
— secured	5.09-5.64	March to December 2017	5.27-5.66	March to December 2018	4.99-6.09	March to October 2019	4.75-6.09	June 2019 to March 2020
		<u>75,000</u>		<u>70,000</u>		<u>134,000</u>		<u>135,000</u>
Non-Current								
Bank loans								
— secured	—	—	—	—	4.75	December 2020	4.75-4.81	September to December 2020
		<u>—</u>		<u>—</u>		<u>39,200</u>		<u>163,380</u>
Total		<u>75,000</u>		<u>70,000</u>		<u>173,200</u>		<u>298,380</u>

Notes:

- (a) As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group's bank borrowings are all denominated in RMB.
- (b) During the year ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019, a director of the Company provided guarantees to certain subsidiaries of the Group in respect of banking facilities of RMB60,500,000, RMB26,000,000, RMB54,000,000 and RMB45,000,000 in aggregate, respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019, nil, RMB8,000,000, RMB27,000,000 and RMB27,000,000 were outstanding under these banking facilities, respectively.
- (c) The Group's bank borrowings are secured by:
 - (i) certain of the Group's merchandised goods amounting to RMB5,000,000, RMB5,000,000, nil and RMB5,000,000 (note 16) as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively;
 - (ii) certain of the Group's buildings, which had a net carrying amount of approximately RMB10,460,000, nil, nil and nil (note 13) as at 31 December 2016, 2017 and 2018 and at 30 April 2019, respectively;
 - (iii) the Group's leasehold land, which a net carrying amount of approximately RMB13,113,000, nil, nil and nil (note 14) as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively; and
 - (iv) certain buildings and leasehold lands held by the Group's related parties.

24. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 October 2018 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of a par value of HK0.01 each.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page I-7 to I-8 of this report.

Other reserve

The balance represented the reserve arising from Corporate Reorganisation and the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Corporate Reorganisation.

Statutory surplus reserve

Pursuant to the relevant laws and regulations in the PRC, the companies registered in the PRC shall appropriate a certain percentage of their net profit after tax (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to the reserve fund. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. After making the appropriation to the statutory surplus reserve, the companies may also appropriate their profits for the year to the discretionary surplus reserve upon approval by the board of directors or the shareholders in a general meeting.

26. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and bills payables are included in notes 13, 14, 16, 19 and 23, respectively, to the Historical Financial Information.

27. OPERATING LEASE ARRANGEMENTS

Following the Company to adopt IFRS 16, the Company recognised lease liability for all leases. The resulting impact on the consolidated statement of profit or loss and the consolidated statement of cash flows are disclosed in note 14 to the consolidated financial statements.

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:				
Buildings	<u>—</u>	<u>11,350</u>	<u>19,327</u>	<u>12,128</u>

29. CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group did not have any significant contingent liabilities.

30. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationship of a related party

Name	Relationship
Mr. Law Hau Kit	Director of the Company
Zhongshan New Century Car Rental Co., Ltd.* (中山市創世紀汽車租賃有限公司)	Controlled by the Controlling Shareholder
Zhongshan Dongri Automobile Co., Ltd.* (中山市東日汽車有限公司)	Controlled by the Controlling Shareholder
Zhongshan New Century Pioneering Automobile Co., Limited* (中山市創世紀汽車有限公司)	Controlled by the Controlling Shareholder
Foshan Weihe Yingfeng Electrical Appliance Co., Ltd.* (佛山市威和盈豐電器有限公司)	Controlled by the brother-in-law of the Controlling Shareholder
Huichuang Financial Leasing (Zhuhai) Co., Ltd.* (滙創融資租賃(珠海)有限公司)	Controlled by the Controlling Shareholder

(b) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances with its related parties as at 31 December 2016, 2017 and 2018 and 30 April 2019 as follows:

Amounts due from related parties

	Year ended 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade				
Foshan Weihe Yingfeng Electrical Appliance Co., Ltd.*	1,900	1,600	—	—
Zhongshan New Century Pioneering Automobile Co., Limited*	—	—	16,000	16,000
Zhongshan New Century Car Rental Co., Ltd.*	—	—	3,086	7,804
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	—	—	500	1,030
	<u>1,900</u>	<u>1,600</u>	<u>19,586</u>	<u>24,834</u>
Trade				
Zhongshan New Century Car Rental Co., Ltd.*	—	—	—	1,738

Amounts due to a director

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Name				
Mr. Law Hau Kit	<u>121,782</u>	<u>192,752</u>	<u>159,762</u>	<u>31,000</u>

The outstanding balances with related parties are unsecured, interest-free and repayable on demand.

(c) Transactions with a related party

In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Relevant Periods:

(1) Sales of goods to a related party

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Zhongshan New Century Car Rental Co., Ltd.*	633	2,344	2,680	105	17,465

The prices for the above sales of goods were determined according to the published prices and conditions offered to other customers of the Group.

(2) Rental fee paid to related parties

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Zhongshan Dongri Automobile Co., Ltd.*	157	157	193	55	487
Zhongshan New Century Pioneering Automobile Co., Limited*	309	805	1,133	283	1,138
	466	962	1,326	338	1,625

The prices for the above services were determined according to the published prices and conditions offered to other customers of the Group.

- (d)** During the Relevant Periods, the Group did not identify any personnel as key management other than the directors of the Group. Further details of directors' emoluments are included in note 8 to the financial statements.

(e) Other transactions with related parties

In additions to the transactions disclosed in "Rental fee paid to related parties" above, certain subsidiaries occupied the buildings and leasehold lands owned by Zhongshan Dongri Automobile Co., Ltd. and Zhongshan New Century Pioneering Automobile Co., Limited with nil consideration.

* The English names of all the above companies represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities during the Relevant Periods is as follows:

	Amount due to a director <i>RMB'000</i>	Interest-bearing bank borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2016	107,412	115,400	222,812
Changes from financing cash flows	14,370	(40,400)	(26,030)
As at 31 December 2016	121,782	75,000	196,782
	Amount due to a director <i>RMB'000</i>	Interest-bearing bank borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2017	121,782	75,000	196,782
Dividend payable during the year	45,940	—	45,940
Payment for reorganisation	5,000	—	5,000
Changes from financing cash flows	20,030	(5,000)	15,030
As at 31 December 2017	192,752	70,000	262,752
	Amount due to a director <i>RMB'000</i>	Interest-bearing bank borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	192,752	70,000	262,752
Dividend payable during the year	10,000	—	10,000
Changes from financing cash flows	(42,990)	103,200	60,210
As at 31 December 2018	159,762	173,200	332,962
	Amount due to a director <i>RMB'000</i>	Interest-bearing bank borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	192,752	70,000	262,752
Changes from financing cash flows	(2,273)	(11,000)	(13,273)
As at 30 April 2018 (Unaudited)	190,479	59,000	249,479
	Amount due to a director <i>RMB'000</i>	Interest-bearing bank borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019	159,762	173,200	332,962
Changes from financing cash flows	(128,762)	125,180	(3,582)
As at 30 April 2019	31,000	298,380	329,380

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised costs				
Trade receivables	1,373	606	2,144	1,747
Financial assets included in prepayments, other receivables and other assets	7,324	8,592	16,324	13,336
Amounts due from related companies	1,900	1,600	19,586	26,572
Pledged deposits	103,462	106,693	87,000	39,000
Cash and cash equivalents	87,123	71,118	50,047	15,182
	<u>201,182</u>	<u>188,609</u>	<u>175,101</u>	<u>95,837</u>

Financial liabilities

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised costs				
Trade and bills payables	199,563	144,063	109,808	67,970
Financial liabilities included in other payables and accruals	44,187	41,996	47,904	60,704
Amount due to a director	121,782	192,752	159,762	31,000
Interest-bearing bank borrowings	75,000	70,000	173,200	298,380
	<u>440,532</u>	<u>448,811</u>	<u>490,674</u>	<u>458,054</u>

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalent, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, amount due from related companies, trade and bill payables, amount due to a director, current interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing borrowings as at 31 December 2016, 2017 and 2018 and 30 April 2019 was assessed to be insignificant.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the treasury department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, trade and bill receivables, deposits and other receivables, amount due to a director, amount with related companies and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments is credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and it is summarised below.

Credit risk

The Group has no significant concentration of credit risk. The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables are normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

Maximum exposure and year-end staging as at 31 December 2016, 2017 and 2018 and 30 April 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2016, 2017 and 2018 and 30 April 2019. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	31 December 2016			31 December 2017			31 December 2018			30 April 2019		
	12-month	Lifetime		12-month	Lifetime		12-month	Lifetime		4-month	Lifetime	
	ECLs	ECLs		ECLs	ECLs		ECLs	ECLs		ECLs	ECLs	
	Simplified			Simplified			Simplified			Simplified		
	Stage 1	approach		Stage 1	approach		Stage 1	approach		approach		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	1,387	1,387	—	612	612	—	2,166	2,166	—	1,764	1,764
Financial assets included in prepayments, other receivables and other assets												
— Normal**	7,324	—	7,324	8,592	—	8,592	16,324	—	16,324	13,336	—	13,336
Amounts due from related companies												
— Normal**	1,900	—	1,900	1,600	—	1,600	19,586	—	19,586	26,572	—	26,572
Pledged deposits												
— Not yet past due	103,462	—	103,462	106,693	—	106,693	87,000	—	87,000	39,000	—	39,000
Cash and cash equivalents												
— Not yet past due	87,123	—	87,123	71,118	—	71,118	50,047	—	50,047	15,182	—	15,182
	<u>199,809</u>	<u>1,387</u>	<u>201,196</u>	<u>188,003</u>	<u>612</u>	<u>188,615</u>	<u>172,957</u>	<u>2,166</u>	<u>175,123</u>	<u>94,090</u>	<u>1,764</u>	<u>95,854</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Historical Financial Information, respectively.

** The credit quality of the amount due from a related company and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2016			
	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bill payables	—	199,563	—	199,563
Financial liabilities included in other payables and accruals	—	12,661	31,526	44,187
Interest-bearing bank borrowings	—	81,135	—	81,135
Amount due to a director	121,782	—	—	121,782
	<u>121,782</u>	<u>293,359</u>	<u>31,526</u>	<u>446,667</u>
	<u>121,782</u>	<u>293,359</u>	<u>31,526</u>	<u>446,667</u>
	As at 31 December 2017			
	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	—	144,063	—	144,063
Financial liabilities included in other payables and accruals	—	13,148	28,848	41,996
Interest-bearing bank borrowings	—	71,737	—	71,737
Amount due to a director	192,752	—	—	192,752
	<u>192,752</u>	<u>228,948</u>	<u>28,848</u>	<u>450,548</u>
	<u>192,752</u>	<u>228,948</u>	<u>28,848</u>	<u>450,548</u>
	As at 31 December 2018			
	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	—	109,808	—	109,808
Financial liabilities included in other payables and accruals	—	22,204	25,700	47,904
Interest-bearing bank borrowings	—	141,953	41,056	183,009
Amount due to a director	159,762	—	—	159,762
	<u>159,762</u>	<u>273,965</u>	<u>66,756</u>	<u>500,483</u>
	<u>159,762</u>	<u>273,965</u>	<u>66,756</u>	<u>500,483</u>
	As at 30 April 2019			
	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	—	67,970	—	67,970
Financial liabilities included in other payables and accruals	—	28,446	32,258	60,704
Interest-bearing bank borrowings	—	143,127	169,620	312,747
Amount due to a director	31,000	—	—	31,000
	<u>31,000</u>	<u>239,543</u>	<u>201,878</u>	<u>472,421</u>
	<u>31,000</u>	<u>239,543</u>	<u>201,878</u>	<u>472,421</u>

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings and amount due to a director. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		As at 30 April	
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	75,000	70,000	173,200	298,380
Amount due to a director	<u>121,782</u>	<u>192,752</u>	<u>159,762</u>	<u>31,000</u>
Net debt	196,782	262,752	332,962	329,380
Total equity	<u>132,481</u>	<u>108,158</u>	<u>110,870</u>	<u>71,762</u>
Gearing ratio	<u>149%</u>	<u>243%</u>	<u>300%</u>	<u>459%</u>

35. EVENTS AFTER THE RELEVANT PERIODS

No event after the Relevant Periods that may influence the economic decisions that users make on the basis of the accountants' report.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 30 April 2019 as if it had taken place on 30 April 2019.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 30 April 2019 or any future date. It is prepared based on our consolidated net tangible assets as of 30 April 2019 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to owners of the Parent Company as of 30 April 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB	(HK\$ equivalent) (Note 4)
Based on an Offer Price of HK\$1.01 per Share	<u>69,762</u>	<u>85,831</u>	<u>155,593</u>	<u>0.31</u>	<u>0.34</u>
Based on an Offer Price of HK\$1.23 per Share	<u>69,762</u>	<u>109,704</u>	<u>179,466</u>	<u>0.36</u>	<u>0.40</u>

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Parent Company as of 30 April 2019 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the Parent Company as of 30 April 2019 of approximately RMB69,762,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.01 per Share or HK\$1.23 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.10.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, for the purpose of incorporation in this prospectus.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Centenary United Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Centenary United Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 30 April 2019 and related notes as set out on pages II-1 and II-2 of Appendix II to the prospectus dated 30 September 2019 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 April 2019 as if the transaction had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 30 April 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 September 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 16 September 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries,

controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the

nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised

without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements

of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he

deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 15 October 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of

the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

(u) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 October 2018. Our Company's registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 December 2018 and the principal place of business in Hong Kong is at Unit 1426, 14/F., Solo Building, 41–43 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Law has been appointed as the authorised representative of our Company on 21 November 2018 for acceptance on behalf of our Company of service of process and notices required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Memorandum of Association and the Articles of Association is set out in Appendix III.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. Upon incorporation, one subscriber Share was transferred to and 7,499 new Shares were allotted and issued to Chong Kit at par value.
- (b) On 16 September 2019, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional of 1,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (c) On 23 September 2019, conditional upon (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, and (ii) the Global Offering becoming unconditional, an aggregate sum of HK\$3,749,925 will be capitalised from the share premium account of our Company and applied in paying up in full of 374,992,500 Shares credited as fully paid at par to be allotted and issued to the then existing Shareholders whose names appeared on the register of members of our Company in proportion (as nearly as possible without involving fractions) to their respective shareholdings so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by the then existing Shareholders, will constitute not more than 75% of the enlarged issued share capital immediately following completion of the Global Offering (without taking into account any Share which may be issued and allotted pursuant to the exercise of the Over-allotment Option).

- (d) Conditional upon (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Share which may be issued pursuant to the exercise of the Over-allotment Option), and (ii) the Global Offering becoming unconditional, immediately following completion of the Capitalisation Issue and the Global Offering, and assuming that the Over-allotment Option is not exercised, and without taking into account of any Share which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme, 500,000,000 Shares will be issued fully paid or credited as fully paid, and 1,500,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further Information about our Company — 3. Written resolutions of our sole Shareholder passed on 16 September 2019 and 23 September 2019” in this Appendix and pursuant to the Share Option Scheme and the exercise of the Over-allotment Option, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 16 September 2019 and 23 September 2019

By written resolutions of our sole Shareholder passed on 16 September 2019 and 23 September 2019, the following resolutions were passed by our sole Shareholder, pursuant to which, among other things:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional of 1,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects;
- (b) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association to take effect on the Listing Date;
- (c) conditional on the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme and the Capitalisation Issue, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering to rank *pari passu* with the then existing Shares in all respects;

- (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue Shares as may be required to be allotted and issued upon the exercise of Over-allotment Option to rank *pari passu* with the then existing Shares in all respects; and
 - (iii) the Capitalisation Issue was approved and our Directors were authorised to capitalise an amount of HK\$3,749,925 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 374,992,500 Shares for allotment and issue to our then existing shareholders whose name appears on the register of members of our Company at the close of business on the day immediately before the date of the Listing, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation; and
 - (iv) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (d) subject to the Global Offering becoming unconditional, a general mandate (the “**Issuing Mandate**”) was granted to our Directors to allot, issue and deal with (i) our Shares; (ii) securities convertible into our Shares; and (iii) options, warrants or similar rights to subscribe for any Shares or convertible securities of our Company, and to make or grant offers, agreements and options which might require the exercise of such powers. The aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by our Directors pursuant to the Issuing Mandate, otherwise than pursuant to (i) a rights issue; (ii) scrip dividend scheme or similar arrangements in accordance with the Articles of Association; (iii) the Share Option Scheme; (iv) the exercise of rights of subscription or conversion under the terms of any warrants issued by our Company before the date of the passing of these resolutions or any securities which are issued before the date of the passing of these resolutions and convertible into Shares, shall not exceed 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. The Issuing Mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company unless this authority is renewed either conditionally or unconditionally at such meeting; or
 - (ii) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

Our Company may not issue securities convertible into our new Shares for cash consideration unless the initial conversion price is not lower than the benchmarked price (as hereinafter defined) of our Shares at the time of the placing, and our Company may not issue warrants, options or similar rights to subscribe for (i) any new Shares of our Company or (ii) any securities convertible into new shares of our Company, for cash consideration;

“benchmarked price” means the higher of (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the Issuing Mandate; and (b) the average closing price in the 5 trading days immediately prior to the earlier of: (i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Issuing Mandate; (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the Issuing Mandate; and (iii) the date on which the placing or subscription price is fixed.

If any subsequent consolidation or subdivision of our Shares is effected, the maximum number of securities of our Company that may be issued pursuant to the Issuing Mandate as may be extended by sub-paragraph(f) below, as a percentage of the total number of issued Shares of our Company at the date immediately before and after such consolidation or subdivision shall be the same, and such maximum number of Shares of our Company, and powers granted under such approval, shall be adjusted to such extent accordingly;

- (e) subject to the Global Offering becoming unconditional, a general mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company unless this authority is renewed either conditionally or unconditionally at such meeting; or
 - (ii) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be hold its next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting; and

provided that if any subsequent consolidation or subdivision of our Shares is effected, the maximum number of shares of our Company that may be repurchased pursuant to the Repurchase Mandate as a percentage of the total number of issued shares of our Company at the date immediately before and after such consolidation

or subdivision shall be the same, and such maximum number of shares of our Company, and powers granted under such approval shall be adjusted to such extent accordingly;

- (f) the Issuing Mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, see the section headed “History, Development and Reorganisation — Reorganisation”.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company consists of:

- (1) Chong Wai;
- (2) Centenary Development;
- (3) Chong Kit Management;
- (4) Century Sale Services;
- (5) Dongri Sale Services;
- (6) New Century Toyota;
- (7) Chuangri Automobile;
- (8) Jucheng Automobile;
- (9) Chengnan Automobile;
- (10) Chuangtong Automobile;
- (11) Chuangzhi Automobile;
- (12) Century Jaguar;
- (13) Fast Lane Services;
- (14) Mingcheng Automobile;

- (15) Chuangcheng Automobile;
- (16) Dongyue Automobile;
- (17) Chuangxian Automobile;
- (18) Chuangcheng Insurance;
- (19) New Century Second-hand car; and
- (20) Century Cadillac.

Save as disclosed in the section headed “History, Development and Reorganisation”, there have been no alternations in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 16 September 2019, subject to the Global Offering becoming unconditional, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company unless this authority is renewed either conditionally or unconditionally at such meeting, or the expiration of the period within which the next annual general meeting of our Company is required by applicable laws of the Cayman Islands or the Articles of Association to be held, or when the Repurchase Mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.

(ii) Sources of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital.

(iii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company listed on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue after completion of the Capitalisation Issue and Global Offering, could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purposes in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing position of our Company which in the opinion of our Directors are from time to time appropriate for our Company. However,

there might be a material adverse impact on the working capital and the gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(e) Trading restrictions

Pursuant to the Listing Rules, our Company:

- (i) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange;
- (ii) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;
- (iii) shall not knowingly purchase its Shares from a core connected person and a core connected person shall not knowingly sell Shares to our Company, on the Stock Exchange;
- (iv) shall procure that any broker appointed by our Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of our Company as the Stock Exchange may request;
- (v) shall not purchase its Shares on the Stock Exchange at any time after an inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, our Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional;
- (vi) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or the relevant prescribed minimum percentage for our Company as determined by the Listing Rules from time to time).

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

(f) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No repurchase of Shares has been made by us since our incorporation.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material to the business of our Group:

- (1) an equity transfer agreement dated 1 December 2017 entered into between Ms. Liao Jiazhen (廖家珍) as transferor, and Zhongshan New Century as transferee, regarding the transfer of 34% equity interest in Dongri Automobile from Ms. Liao Jiazhen (廖家珍) to Zhongshan New Century at a consideration of RMB7.0 million;
- (2) an equity transfer agreement dated 1 December 2017 entered into between Mr. Liu Jingjun (劉敬俊) as transferor, and Zhongshan New Century as transferee, regarding the transfer of 66% equity interest in Dongri Automobile from Mr. Liu Jingjun (劉敬俊) to Zhongshan New Century at a consideration of RMB14.0 million;
- (3) an equity transfer agreement dated 30 March 2018 between Zhongshan New Century as transferor, and Mr. Feng Jingui (馮金桂) as transferee, in relation to the transfer of 70% of equity interests of the Driving School from Zhongshan New Century to Mr. Feng Jingui (馮金桂) at a consideration of RMB1;

- (4) an equity transfer agreement dated 11 May 2018 entered into between Mr. Chen Shaoxing (陳紹興) as transferor, and Zhongshan New Century as transferee, regarding the transfer of 8% equity interest in Chuangxian Automobile from Mr. Chen Shaoxing (陳紹興) to Zhongshan New Century at a consideration of RMB0.8 million;
- (5) an equity transfer agreement dated 11 May 2018 entered into between Mr. Liu Ning (劉寧) as transferor, and Zhongshan New Century as transferee, regarding the transfer of 5% equity interest in Chuangxian Automobile from Mr. Liu Ning (劉寧) to Zhongshan New Century at a consideration of RMB0.5 million;
- (6) an equity transfer agreement dated 11 May 2018 entered into between Mr. Lin as transferor, and Zhongshan New Century as transferee, regarding the transfer of 20% equity interest in Chuangxian Automobile from Mr. Lin to Zhongshan New Century at a consideration of RMB2.0 million;
- (7) an equity transfer agreement dated 11 May 2018 entered into between Mr. Law as transferor, and Zhongshan New Century as transferee, regarding the transfer of 67% equity interest in Chuangxian Automobile from Mr. Law to Zhongshan New Century at a consideration of RMB6.7 million;
- (8) an equity transfer agreement dated 7 November 2018 entered into between Zhongshan New Century as transferor, and Ms. Liang Jiexin (梁潔心) as transferee, regarding the transfer of 1% equity interest in Century Jaguar from Zhongshan New Century to Ms. Liang Jiexin (梁潔心) at a consideration of RMB0.15 million;
- (9) an equity transfer agreement dated 7 November 2018 entered into between Zhongshan New Century as transferor, and Mr. Zhan Jianming (詹建明) as transferee, regarding the transfer of 1% equity interest in Century Jaguar from Zhongshan New Century to Mr. Zhan Jianming (詹建明) at a consideration of RMB0.15 million;
- (10) an equity transfer agreement dated 7 November 2018 entered into between Zhongshan New Century as transferor, and Mr. Chen Xiaojun (陳曉軍) as transferee, regarding the transfer of 1% equity interest in Century Jaguar from Zhongshan New Century to Mr. Chen Xiaojun (陳曉軍) at a consideration of RMB0.15 million;
- (11) an undated corporate division agreement entered into between Dongri Automobile and Dongri Sale Services in relation to the corporate division of Dongri Automobile;
- (12) a corporate division agreement dated 11 January 2019 entered into between Zhongshan New Century and Century Sale Services in relation to the corporate division of Zhongshan New Century;
- (13) an equity transfer agreement dated 15 January 2019 entered into between Mr. Law as transferor, and Chong Kit Management as transferee, regarding the transfer of 80% equity interest in Century Sale Services from Mr. Law to Chong Kit Management at a consideration of RMB4.0 million;

- (14) an equity transfer agreement dated 15 January 2019 entered into between Mr. Lin as transferor, and Chong Kit Management as transferee, regarding the transfer of 20% equity interest in Century Sale Services from Mr. Lin to Chong Kit Management at a consideration of RMB1.0 million;
- (15) an equity transfer agreement dated 24 January 2019 entered into between Mr. Law as transferor, and Century Sale Services as transferee, regarding the transfer of 80% equity interest in New Century Toyota from Mr. Law to Century Sale Services at a consideration of RMB8.0 million;
- (16) an equity transfer agreement dated 24 January 2019 entered into between Mr. Lin as transferor, and Century Sale Services as transferee, regarding the transfer of 20% equity interest in New Century Toyota from Mr. Lin to Century Sale Services at a consideration of RMB2.0 million;
- (17) an equity transfer agreement dated 24 January 2019 entered into between Mr. Law as transferor, and Century Sale Services as transferee, regarding the transfer of 80% equity interest in Chuangri Automobile from Mr. Law to Century Sale Services at a consideration of RMB4.0 million;
- (18) an equity transfer agreement dated 24 January 2019 entered into between Mr. Chen Shaoxing (陳紹興) as transferor, and Century Sale Services as transferee, regarding the transfer of 20% equity interest in Chuangri Automobile from Mr. Chen Shaoxing (陳紹興) to Century Sale Services at a consideration of RMB1.0 million;
- (19) an equity transfer agreement dated 24 January 2019 entered into between Mr. Law as transferor, and Century Sale Services as transferee, regarding the transfer of 70% equity interest in Jucheng Automobile from Mr. Law to Century Sale Services at a consideration of RMB3.5 million;
- (20) an equity transfer agreement dated 24 January 2019 entered into between Mr. Law as transferor, and Century Sale Services as transferee, regarding the transfer of 70% equity interest in Chuangzhi Automobile from Mr. Law to Century Sale Services at a consideration of RMB3.5 million;
- (21) an equity transfer agreement dated 24 January 2019 entered into between Mr. Law as transferor, and Century Sale Services as transferee, regarding the transfer of 70% equity interest in Chengnan Automobile from Mr. Law to Century Sale Services at a consideration of RMB3.5 million;
- (22) an equity transfer agreement dated 25 January 2019 entered into between Mr. Law as transferor, and Century Sale Services as transferee, regarding the transfer of 70% equity interest in Chuangtong Automobile from Mr. Law to Century Sale Services at a consideration of RMB3.5 million;
- (23) an equity transfer agreement dated 28 January 2019 entered into between Mr. Liu Shanxu (劉珊旭) as transferor, and Century Sale Services as transferee, regarding the transfer of 5% equity interest in Century Jaguar from Mr. Liu Shanxu (劉珊旭) to Century Sale Services at a consideration of RMB0.75 million;






- (24) an equity transfer agreement dated 28 January 2019 entered into between Mr. Chen Huaquan (陳華泉) as transferor, and Century Sale Services as transferee, regarding the transfer of 5% equity interest in Century Jaguar from Mr. Chen Huaquan (陳華泉) to Century Sale Services at a consideration of RMB0.75 million;
- (25) an equity transfer agreement dated 28 January 2019 entered into between Mr. Liu Ning (劉寧) as transferor, and Century Sale Services as transferee, regarding the transfer of 3% equity interest in Century Jaguar from Mr. Liu Ning (劉寧) to Century Sale Services at a consideration of RMB0.45 million;
- (26) an equity transfer agreement dated 28 January 2019 entered into between Mr. Yu Yijing (余意境) as transferor, and Century Sale Services as transferee, regarding the transfer of 2% equity interest in Century Jaguar from Mr. Yu Yijing (余意境) to Century Sale Services at a consideration of RMB0.3 million;
- (27) an equity transfer agreement dated 28 January 2019 entered into between Ms. Li Huifang (李惠芳) as transferor, and Century Sale Services as transferee, regarding the transfer of 2% equity interest in Century Jaguar from Ms. Li Huifang (李惠芳) to Century Sale Services at a consideration of RMB0.3 million;
- (28) an equity transfer agreement dated 28 January 2019 entered into between Mr. Du Yuming (杜裕明) as transferor, and Century Sale Services as transferee, regarding the transfer of 2% equity interest in Century Jaguar from Mr. Du Yuming (杜裕明) to Century Sale Services at a consideration of RMB0.3 million;
- (29) an equity transfer agreement dated 28 January 2019 entered into between Mr. Luo Qi (羅圻) as transferor, and Century Sale Services as transferee, regarding the transfer of 2% equity interest in Century Jaguar from Mr. Luo Qi (羅圻) to Century Sale Services at a consideration of RMB0.3 million;
- (30) an equity transfer agreement dated 28 January 2019 entered into between Ms. Liang Jiexin (梁潔心) as transferor, and Century Sale Services as transferee, regarding the transfer of 1% equity interest in Century Jaguar from Ms. Liang Jiexin (梁潔心) to Century Sale Services at a consideration of RMB0.15 million;
- (31) an equity transfer agreement dated 28 January 2019 entered into between Mr. Zhan Jianming (詹建明) as transferor, and Century Sale Services as transferee, regarding the transfer of 1% equity interest in Century Jaguar from Mr. Zhan Jianming (詹建明) to Century Sale Services at a consideration of RMB0.15 million;
- (32) an equity transfer agreement dated 28 January 2019 entered into between Mr. Chen Xiaojun (陳曉軍) as transferor, and Century Sale Services as transferee, regarding the transfer of 1% equity interest in Century Jaguar from Mr. Chen Xiaojun (陳曉軍) to Century Sale Services at a consideration of RMB0.15 million;
- (33) a supplemental agreement dated 13 February 2019 between Zhongshan New Century, Mr. Feng Jingui (馮金桂) and Mr. Yan Jianxiong (嚴健雄) in relation to the transfer of 70% of equity interests of the Driving School from Zhongshan New Century to Mr. Feng Jingui (馮金桂) at a consideration of RMB2.1 million;

- (34) the Cornerstone Investment Agreement dated 26 September 2019 entered into between our Company, the Joint Global Coordinators and Mr. Ho Wing Tim (何榮添), pursuant to which Mr. Ho Wing Tim (何榮添) shall subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) in the amount of HK\$30 million;
- (35) the Cornerstone Investment Agreement dated 26 September 2019 entered into between our Company, the Joint Global Coordinators and Mr. Chen Ruming (陳汝明), pursuant to which Mr. Chen Ruming (陳汝明) shall subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) in the amount of HK\$5 million;
- (36) the Cornerstone Investment Agreement dated 26 September 2019 entered into between our Company, the Joint Global Coordinators and Mr. Xu Kewei (徐克偉), pursuant to which Mr. Xu Kewei (徐克偉) shall to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) in the amount of HK\$5.7 million;
- (37) the deed of waiver dated 25 September 2019 entered into between Mr. Law and our Company regarding the waiver of advances of RMB30.0 million due to Mr. Law by our Company;
- (38) the Referral Agreement;
- (39) the Vehicle Sale and Purchase Framework Agreement;
- (40) the Property Leasing Framework Agreement;
- (41) the Deed of Non-competition;
- (42) the Deed of Indemnity; and
- (43) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As the Latest Practicable Date, we registered the following trademark in Hong Kong and the PRC:

No.	Trademark	Registered Owner	Class	Trade Mark number	Registration valid period	Place of registration
1.		the Company	12, 35, 36, 37 and 39	304724037	6 November 2018 to 5 November 2028	Hong Kong
2.		the Company	37	7523830	14 November 2010 to 13 November 2020	PRC
3.		the Company	37	18328638	7 March 2017 to 6 March 2027	PRC
4.		the Company	39	28945218	21 December 2018 to 20 December 2028	PRC
5.		the Company	37	33539132	14 June 2019 to 13 June 2029	PRC

(b) Domain name

As at the Latest Practicable Date, Century Sale Services was the registered proprietor of the following domain name:

Registrant	Domain Name	Date of Approval
Century Sale Services	car2000.com.cn	13 March 2019

Save as aforesaid, there are no other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Capitalisation Issue and the Global Offering but without taking into account of any Shares to be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by

Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Interest in our Company

Name of Director	Nature of interest	Number of Shares or underlying Shares (Note 1)	Percentage Approximate
Mr. Law (Note 2)	Interest in a controlled corporation	375,000,000 (L)	75%

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. As at the Latest Practicable Date, Chong Kit is wholly owned by Mr. Law. Under the SFO, Mr. Law is deemed to be interested in the same number of Shares in which Chong Kit is interested.

(ii) Interest in associated corporations

Name of Director	Name of associated corporations	Nature of interest	Number of Shares held (Note 2)	Approximate percentage
Mr. Law	Chong Kit (Note 2)	Beneficial owner	1 (L)	100%

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. Chong Kit holds more than 50% of our Shares. Therefore Chong Kit is a holding company and an associated corporation of our Company.

- (b) So far as is known to our Directors and save as disclosed in this prospectus and without taking into account of any Shares which may be taken up under the Global Offering and Shares to be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the issued Voting Shares of any other member of our Group:

(i) Interest in our Company

Name	Nature of interest	Numbers of Shares held (Note 1)	Approximate percentage
Chong Kit	Beneficial owner	375,000,000 (L)	75%
Ms. Liu Yali (Note 2)	Interest of spouse	375,000,000 (L)	75%

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. Ms. Liu Yali is the spouse of Mr. Law. Under the SFO, Ms. Liu Yali will be deemed to be interested in the same number of Shares in which Mr. Law is interested.

(ii) Interest in member of our Group

Name	Name of Group member	Nature of interest	Number of shares/ amount of registered capital held (Note 1)	Approximate percentage
Mr. Zhao Yongqiang (趙永強)	Century Cadillac (Note 2)	Beneficial owner	RMB2 million	20%

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. As at the Latest Practicable Date, Century Cadillac is owned as to 20% by Mr. Zhao Yongqiang and 80% by Century Sale Services, which is an indirect wholly owned subsidiary of our Company.

2. Particulars of service agreements

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the provisions of the service agreement or by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has been appointed by our Company pursuant to a letter of appointment for a term of three years commencing from the Listing Date. The said appointment is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

3. Directors' remuneration

- (a) The aggregate amount of remuneration (including director fees, salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) granted to our Directors in respect of the three years ended 31 December 2018 and the four months ended 30 April 2019 was approximately RMB0.6 million, RMB0.8 million, RMB0.9 million and RMB0.4 million, respectively.
- (b) Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 December 2019 are estimated to be approximately HK\$1.9 million.
- (c) There had been no arrangement under which a Director has waived or agreed to waive any remuneration for any of the three years ended 31 December 2018 and the four months ended 30 April 2019.
- (d) The remuneration of our Directors was determined by reference to their qualification, experience, duties and responsibilities within our Group and prevailing market rate.

4. Fees or commission received

Save as disclosed in "Underwriting — Commission and Expenses", none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 30 to the Accountants' Report set out in Appendix I.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of our sole Shareholder on 16 September 2019. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. For the purpose of the Share Option Scheme, references to “Board” shall mean our Board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to “Participant” shall mean any director (including executive directors, non-executive directors and independent non-executive directors) and full-time employees of any member of our Group; references to “Grantee” shall mean any Participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal personal representative of such person.

1. Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and our Shares for the benefit of our Company and our Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board may offer to grant an option to any Participant as our Board may in its absolute discretion select.

3. Administration

The Share Option Scheme shall be subject to the administration of our Board. Our Board shall have the right to:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who will be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph 6 below, in relation to such options;
- (c) subject to paragraphs 14 and 15 below, make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

4. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board shall be entitled at any time within ten years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant, as our Board may in its absolute discretion select, to take up an option pursuant to which such Participant may, during the option period, subscribe for such number of Shares as our Board may determine at the subscription price. The offer shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be reached, before the option can be exercised in whole or in part, and may include at the discretion of our Board other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year in accordance with the Listing Rules, or quarter-year or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement and where an option is granted to a director of our Company:

- (a) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-yearly period up to the publication date of the results.

For the avoidance of doubt, the period during which no option shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

5. Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date on which the letter containing the offer of the grant of option is delivered to that Participant. An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a

remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company. Such remittance payment shall not be refundable in any circumstances.

6. Subscription price

The subscription price in respect of any particular option shall, subject to the adjustments referred to in paragraph 14 below, be such price determined by our Board in its absolute discretion and notified to the Participant in the offer at the time of grant of the relevant option but the subscription price shall not be less than the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed that may be granted within a period of less than five business days after the trading of our Shares first commences on the Stock Exchange, the Offer Price of our Shares for the Global Offering shall be deemed to be the closing price for any business day falling within the period before listing of our Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

7. Option period

The period within which our Shares must be taken up under an option shall be the period of time to be notified by our Board to each Grantee at the time of making an offer, which shall be determined by our Board in its absolute discretion at the time of grant, but such period must not exceed ten years from the date of grant of the relevant option.

8. Rights are personal to grantee

An option and an offer shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any option held by him or any offer made to him or attempt to do so, except for the transmission of an option on the death of the Grantee to his personal representative(s) on terms of the Share Option Scheme. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such Grantee without incurring any liability on the part of our Company.

9. Rights attaching to Shares allotted

Our Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of our Company for the time being in force and shall rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of our Shares to be issued upon the exercise of the option.

10. Exercise of option

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (i) his death or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 11(f) below, the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless our Board otherwise determines in which event the option shall be exercisable to the extent and within such period as our Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;
- (b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph 11(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;
- (c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 10(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;
- (d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company;

- (e) in the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option; and
- (f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 10(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a compromise or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

11. Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the date or the expiry of the periods for exercising the option as referred to in paragraph 10 above;
- (c) subject to the scheme of arrangement (referred to in paragraph 10(d) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph 10(d) above;
- (d) subject to paragraph 10(e) above, the date of the commencement of the winding-up of our Company;
- (e) the date on which the Grantee commits a breach of paragraph 8 above;
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become bankrupt or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment summarily;

- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph 10(a) or (b) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment, engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

12. Cancellation of option

Any options granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph 13 below and otherwise comply with the terms of the Share Option Scheme.

13. Maximum number of Shares subject to options

- (a) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the “**Scheme Limit**”), which represents in aggregate up to 150,000,000 Shares (assuming the Over-allotment Option is not exercised) on the date our Shares commence trading on the Stock Exchange;
- (b) Our Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of our Shares in issue on the date our Shares commence trading on the Stock Exchange, which is in aggregate up to 50,000,000 Shares (assuming the Over-allotment Option is not exercised) (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (c) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of our Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;

- (d) Our Company may also seek separate Shareholders' approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought. A circular shall be sent to Shareholders containing (among other requirements as specified under the Listing Rules) a generic description of the identified Participants, the number and the terms of the options to be granted, the purpose of granting options to the identified Participants, and how those Options serve such purpose;
- (e) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the Shares in issue (the "**Individual Limit**"). Any further grant of options to a Participant which would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders' approval in advance with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting; and
- (f) The maximum number of Shares referred to in this paragraph 13 shall be adjusted, in such manner as the auditors or the financial adviser of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph 14 below whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company, but in any event shall not exceed the Scheme Limit prescribed in paragraph 13(a) above.

14. Reorganisation of capital structure and special dividends

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; or (ii) the subscription price; or (iii) the method of exercise of the option; or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards to any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

15. Alteration of the Share Option Scheme

- (a) Subject to paragraph 15(b) below, our Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);

- (b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules; and
- (c) Notwithstanding any approval obtained pursuant to paragraph 15(a) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

16. Termination of Share Option Scheme

Our Company by ordinary resolution in general meeting or our Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further options shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

17. Offers made to a Director, chief executive or employee who is also a Substantial Shareholder of our Company or any of their respective associates

Each grant of options to any Director, chief executive or Substantial Shareholder of our Company (or any of their respective associates) (as the aforesaid terms are defined in rule 14A.06(2) of the Listing Rules) shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of our Shares in issue on the date of the grant of option; and

- (b) having an aggregate value, based on the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange).

Such grant of options shall be subject to prior approval by our Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

18. Conditions of Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (a) the Listing Committee granting listing of and permission to deal in, (i) the Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued upon exercise of the Over-allotment Option and (ii) any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, whether the granting of the listing and permission is subject to conditions or not;
- (b) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver(s) of any conditions by the Underwriter(s)) and not being terminated in accordance with its terms or otherwise; and
- (c) the commencement of dealings in our Shares on the Stock Exchange.

19. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 50,000,000 (assuming the Over-allotment Option is not exercised) Shares in total.

E. OTHER INFORMATION

1. Declaration of dividend

Certain subsidiaries had declared dividends during the Track Record Period. Please see the paragraph headed under “Financial Information — Dividend” for details on our dividend.

2. Tax and other indemnities

Each of our Controlling Shareholders has, under the Deed of Indemnity referred to in “B. Further Information about the Business — 1. Summary of material contracts” in this Appendix, provide indemnities on a joint and several basis, in favour of our Company (for ourselves and as trustee for each of our subsidiaries) in respect of, among other things,

- (a) any taxation falling on any member of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”), or any event, transaction, act or omission occurring or deemed to occur on or before the Effective Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Effective Date and whether or not such taxation is chargeable against or attributable to other person, firm or company; and
- (b) any Hong Kong estate duty which is or becomes payable by any member of our Group by the operation of the provisions of Sections 34 to 45 (inclusive) of the Estate Duty Ordinance as a result of the death of any individual who has before death made a Relevant Transfer^(Note) to any member of our Group, including but not limited to any amount of estate duty:
 - (i) which is or becomes payable by any member of our Group by virtue of Section 35 of the Estate Duty Ordinance and under the provisions of Section 43 of the Estate Duty Ordinance by reason of the death of an individual and by reason of any assets of member of our Group being deemed for the purposes of estate duty to be included in the property passing on his death by reason of that individual having made a Relevant Transfer to the relevant Group Member at any time on or prior to the Effective Date;
 - (ii) recovered from our Company under Section 43(7) of the Estate Duty Ordinance in respect of any estate duty paid under Section 43(1)(c) or section 43(6) of the Estate Duty Ordinance by reason of the death of an individual and by reason of any assets of any member of our Group being deemed for the purposes of estate duty to be included in the property passing in his death by reason of that individual having made a Relevant Transfer to relevant member of our Group at any time on or prior to the Effective Date; or
 - (iii) which a member of our Group is obliged to pay under Section 43(1)(c) of the Estate Duty Ordinance by reason of the death of an individual in any case where the assets of another company (the “**Distributing Company**”) are deemed for the purposes of the Estate Duty Ordinance to be included in the property passing on his death by reason of that individual having made a Relevant Transfer to the Distributing Company and by reason of the member of our Group having received any distributed assets of the Distributing Company on their distribution as provided in the Estate Duty Ordinance, in each case at any time on or prior to the Effective Date, but only to the extent to which the

member of our Group is unable to fully recover that amount of estate duty from any other accountable persons under Section 43(7)(a) of the Estate Duty Ordinance.

- (c) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may incur, suffer, accrue, directly or indirectly, from any act of such company arising from or in connection with any non-compliance of such company on or before the Effective Date, including not having paid all requisite tax or obtained all relevant or necessary approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this prospectus or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any member of our Group which was issued, accrued and/or arising from any act of any of such company at any time on or before the Effective Date;
- (d) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such company may suffer in connection with such penalty, due to such company's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in the PRC in this regard; and
- (e) any loss, liability, damages, claims, fines, penalties, orders or expenses and costs suffered by any member of our Group as a result of or in connection with the title of any of the properties leased to our Group in Zhongshan, the PRC (the "**Leased Properties**") not being good and/or marketable or being subject to encumbrances (including without limitation the absence of building ownership certificate(s) of any of the Leased Properties as at the Effective Date).

Our Controlling Shareholders shall be under no liability in respect of, among others, any liability on taxation and taxation claims:

- (a) to the extent that provision has been made for such liabilities in the audited consolidated accounts of our Group or the audited accounts of any member of our Group for an accounting period ended on or before 30 April 2019; or
- (b) falling on any member of our Group in respect of any accounting period commencing on or after 30 April 2019 where such liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of our Controlling Shareholders (other than any such act, omission or transaction (i) carried out or effected in the ordinary course of business, on or before the Effective Date; or (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this prospectus); or

- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the Effective Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Effective Date with retrospective effect; or
- (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (e) to the extent of any provisions or reserve made for such liability in the audited accounts referred to in item (a) above which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

Note:

For the purpose of the Deed of Indemnity, "Relevant Transfer" means in relation to any person means a transfer made by that person of any property, other than an interest limited to cease on his death or property which he transferred in a fiduciary capacity, being a transfer made on or before the Effective Date and means a transaction of the kind described in section 35 of the Estate Duty Ordinance interpreted in accordance with the provisions contained in section 3 of the Estate Duty Ordinance.

3. Litigation

Save as disclosed in "Business — Legal proceedings and regulatory compliances", as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

4. Sponsor

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of its services as sponsor for the Listing is HK\$4,600,000.

The Sole Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares falling to be allotted and issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$91,700 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Fortune Financial Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activities
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
JunHe LLP	PRC Legal Advisers
All China Marketing Research Co., Ltd.	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

Save in connection with the Underwriting Agreements, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

8. Consents of experts

Each of the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” under this section of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and the references to its name included herein in the form and context in which it is respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Taxation of holders of Shares***(a) Hong Kong***

The sale, purchase and transfer of Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged is 0.2% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the current Cayman Islands law, no stamp duty is payable on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares or exercise of any rights attaching to them.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 April 2019 and up to the date of this prospectus.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this appendix:
 - (i) is interested legally or beneficially in any securities in our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) None of the equity or debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange.
- (h) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (i) We have not issued or agreed to issue any founder or management or deferred Shares.
- (j) We have no outstanding convertible debt securities.
- (k) There is no arrangement under which future dividends are waived or agreed to be waived.
- (l) Our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

1. copies of the **WHITE**, **YELLOW** and **GREEN** application forms;
2. the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of experts” in Appendix IV; and
3. copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 27th Floor, Alexandra House, 18 Chater Road, Central during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the audited consolidated financial statements of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2019;
3. the accountants’ report of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2019 prepared by Ernst & Young, the text of which is set out in Appendix I;
4. the report on the compilation of the unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II;
5. the letters of advice prepared by Conyers Dill & Pearman, our legal advisers to Cayman Islands law, summarising certain aspects of the Cayman Islands Companies Law referred to in Appendix III;
6. the PRC legal opinions issued by JunHe LLP, our PRC Legal Advisers, in respect of general matters of our Group and the property interests of our Group;
7. the Industry Report;
8. the fair rent letter prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the continuing connected transactions of our Group as disclosed in the section headed “Connected Transactions” in this prospectus;
9. the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV;
10. the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of experts” in Appendix IV;

11. the service agreements and letters of appointment of each of our Directors referred to in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of service agreements” in Appendix IV;
12. the rules of the Share Option Scheme; and
13. the Companies Law.

