RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this document and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to the credit risks of our customers and our credit risk management system may not be able to mitigate all our risk exposure.

We provide automobile finance lease services to customers on the condition that they will repay such financing amount together with interest regularly on a timely manner. Therefore, we are subject to risks of default repayment by customers. If our customers delay or default in their repayment, we may have to make additional impairments and write off the relevant receivables. This may have a material adverse effect on our business, financial condition and results of operations.

According to CIC, target customers of bank-affiliated and automaker- or automobile dealer-affiliated RAFLCs are those with super prime credit profiles, generally located in tier one and tier two cities. Target customers of third party RAFLCs are young population with prime credit profiles, generally located in tier two, tier three and below cities. Our target customers are primarily aged between 20 and 40 years old. If there is any material adverse change in economic and market conditions in the PRC, in particular, any adverse change in youth employment situation may lead to a decrease in demand for our products and services, an increase in delinquency risk and, thus, may have an adverse impact on our business and financial performance. For details of our credit risk management, please refer to "Risk Management and Operations — Our Risk Management Measures — Credit Risk Management".

Our preliminary credit risk assessment involves the evaluation of our customers' personal and financial information. Since the information is mainly provided by our customers, we cannot assure that the information we rely on are provided in good faith and is accurate and complete. Further, our credit risk assessment may involve perusing credit reports on our customers produced by third party credit risk assessment agents. We have no control over how these credit risk assessment agents conduct the assessments on our customers. As such, our credit assessment may not be always accurate and provide sufficient information for us to manage all of the credit risks that we are exposed to, which may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to repossess the automobiles under our finance lease services in cases of delinquency or default by our customers.

In the event of any material delinquency or default on repayment by our customers, we may enforce our right to repossess the relevant automobiles leased to them. However, due to the mobility nature of automobiles, we may face difficulties in repossessing all the automobiles of which the customers default in repayment. Practically we are also faced with the risk of traffic accidents or mismanagement of the automobiles resulting in total loss of the automobiles. In the case where we are not able to successfully repossess these automobiles, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to the uncertainty in amounts of actual late penalties and early termination fee for the automobiles under finance lease services in cases of delinquency or default by customers in the future.

During the Track Record Period, we recorded other fee-related income such as late penalties and early termination fee amounted to RMB19.6 million, RMB21.1 million, RMB25.8 million and RMB11.0 million, accounted for 2.6%, 1.8%, 2.3% and 1.8% of our total revenue for the corresponding years/period, respectively. According to the Measures for the Administrative Supervision and Administration of Contracts (《合同行政監督管理辦法》) which was promulgated on 18 May 2023 and became effective on 1 June 2023, when concluding a contract with a consumer, a business operator shall not, by means of the standard terms or otherwise, require consumer to bear the liquidated damages or penalties for damages or breaching the contract at the amount exceeding the statutory amount or a reasonable amount. Therefore, if our customers conceive that the liquidated damages or penalties that we require to collect for damages or breaching the contract caused by our customers exceed a reasonable amount and proceed to take legal actions against us, the court's judgement may lower the amount of penalties that we otherwise would be able to collect from the customers, which may lower our revenue generated from collecting such penalties from the defaulting customers accordingly.

The residual value of the repossessed automobiles or the amount recovered from legal proceedings may not be adequate to cover the remaining amount of financing extended to our customers.

Our receivables under our automobile finance leases are secured by the leased automobiles throughout the lease term. In case of any default in repayment by customers, we may enforce our right to repossess the leased automobiles of which we can dispose or put into other commercial uses, or initiate legal proceedings to recover the remaining amount of financing extended to our customers. In the event that the residual value of the repossessed automobile or the amount recovered from legal proceedings is not sufficient to cover the receivables, we may not be able to recover the outstanding principal amount of financing we granted to our customers, and thus our financial condition, results of operations and growth prospects may be materially and adversely affected.

Our allowance for impairment on receivables (including finance lease receivables, trade receivables and other receivables) may not be adequate to cover potential credit losses, and may adversely affect the Group's financial performance.

The carrying amount of our gross receivables (including finance lease receivables, trade receivables, and prepayment and other receivables) was RMB1,079.2 million, RMB1,384.8 million, RMB1,575.4 million and RMB1,630.1 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. We make allowance for impairment on receivables in accordance with IFRS. Our allowance for impairment amounted to RMB10.3 million, RMB11.5 million, RMB14.2 million and RMB14.0 million, representing 1.0%, 0.8%, 0.9% and 0.9% of gross receivables (including finance lease receivables, trade receivables, and prepayment and other receivables) as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. The corresponding impairment loss recognised in profit or loss was RMB2.1 million, RMB3.9 million, RMB4.9 million and RMB2.8 million, respectively, during the Track Record Period. As our impairment provision under IFRS requires significant judgement and estimation, our allowance for impairment provision may not be adequate to cover all potential credit losses in our business operations. Our allowance for impairment may prove to be inadequate if unexpected adverse changes occur to the PRC economy or if other events adversely affect our customers, industries or markets. In such cases, we may need to make additional impairment allowance for our receivables, which could significantly reduce our profit and may adversely affect our financial condition, results of operations and growth prospects.

Net current liabilities may expose us to certain liquidity risks.

We recorded net current liabilities of RMB57.7 million and RMB147.2 million as at 31 December 2020 and 2021, respectively, and net current assets of RMB41.8 million and RMB86.1 million as at 31 December 2022 and 30 June 2023. The net current liabilities as at 31 December 2021 were mainly due to the inclusion of ordinary shares with redemption right of RMB196.6 million in the current liabilities. Such redemption right was no longer exercisable upon the filing of the **[REDACTED]** application and will be terminated upon **[REDACTED]**.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash or raise sufficient funding, we may not have sufficient cash to fund our business, operations and capital expenditure, and our business and financial position will be adversely affected. For detailed analysis of our net current liabilities, please refer to "Financial Information — Liquidity and Capital Resources — Net Current Assets/(Liabilities)".

Any material mismatch in the maturity profile of our assets and liabilities may have material adverse impact on our liquidity and our ability to settle our outstanding liabilities.

If there is any material mismatch in the maturity profile of our assets and liabilities, we may not be able to settle the liabilities when they fall due. For our financial assets and liabilities with the category of "on demand/less than one year", we had a negative net liquidity gap of approximately RMB268.1 million, RMB132.5 million, RMB74.7 million and RMB32.8 million, as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. For our finance lease receivables and the relevant borrowings under the automobile retail and finance segment with the category of "on demand/less than one year", we had a maturity gap of approximately RMB87.3 million, RMB86.0 million, RMB89.4 million and RMB59.2 million, as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. For further details of our net liquidity gap and maturity gap, please refer to the section headed "Financial Information — Capital Management — Liquidity". If we breach any of our obligations in the finance lease agreements or financing agreements that could result in any event of default, the creditors may exercise the right to demand immediate repayment of our borrowings in the future. In these events, we cannot assure you that we can meet our financial liabilities as they fall due. Our ability to maintain healthy liquidity position and obtain adequate additional financing may also be impaired, which may have a material adverse effect on our business, financial condition and results of operations.

We recorded net cash used in operating activities during the years ended 31 December 2021 and 2022. If we are unable to obtain additional financing in the future or there is any adverse movement in market interest rates, our business may be materially and adversely affected.

For the years ended 31 December 2021 and 2022, we recorded net cash used in operating activities of RMB77.4 million and RMB74.0 million, mainly due to the fact that our new automobile purchases are mainly financed by debt financings, such debt financings are included in another cash flow category, namely net cash generated from financing activities. In addition, due to the nature of our business operation, our automobiles are sold under finance lease generally within a term of two to four years, the operating cash inflow from our finance lease receivables from the automobile sales is realised within a term of two to four years, while the full payments for our new automobile purchases are generally made within 90 days after purchases, which resulted in net cash used in operating activities for the years ended 31 December 2021 and 2022. Our business operations, in particular, our automobile retail and finance lease business and automobile operating lease business, are capital intensive. We primarily finance our finance lease business through bank and other borrowings. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our cost of funding amounted to RMB98.7 million, RMB108.8 million, RMB131.4 million and RMB76.0 million, representing 42.0%, 46.4%, 50.1% and 51.3% of our finance lease income for the corresponding year/period, respectively. As such, our business is affected by adverse movements in market interest rates. For instance, an increase in market interest rates may not only have a negative impact on our ability to obtain additional funding at favourable interest rates, which we may not be able to pass on the increase of interest costs to our customers at a timely manner or at all, but also reduce the demand for our automobile finance lease services. As a result, any adverse movement in market interest rates may have a material adverse impact on our business, financial condition and results of operation.

We cannot assure you, especially in prevailing adverse market conditions, that we will be able to obtain sufficient additional financing on commercially reasonable terms, or at all, to support our business operation, in particular, our automobile finance lease business. In such case, there would be an adverse impact on our liquidity and our financial condition, results of operations and growth prospects may be materially and adversely affected.

We may be unable to maintain our historical gross profit margins.

We attained a gross profit margin of approximately 40.5%, 30.9%, 32.8% and 32.8%, respectively, for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. However, the gross profit margin we attained during the Track Record Period may not be taken as a reference to estimate our gross profit margin in the future. Our ability to maintain our historical profit margin is contingent on a variety of factors such as macroeconomic condition, fluctuations in costs of automobile, pricing of competition, funding costs, labour costs, and other conditions which are beyond our control.

There is no assurance that we will be successful in meeting all challenges and addressing all the risks and uncertainties as we may face in developing our business and our gross profit margin can be maintained at the level similar to those during the Track Record Period. Should we fail to maintain such gross profit margin, our financial results may be adversely affected.

We are subject to the risk of recoverability of other tax recoverable.

As at 31 December 2020, 2021, 2022 and 30 June 2023, we had other tax recoverable of RMB94.6 million, RMB56.0 million, RMB70.8 million and RMB83.3 million, respectively. The amount of input VATs and output VATs are determined with reference to the applicable VAT rate in effect during the period when the purchase from suppliers and the periodic lease payments are made. Our other tax recoverable may pose risk to us as its recoverability is dependent on the recoverability of lease payments and the applicable VAT rate in effect.

There is no assurance that the other tax recoverable can be recovered. In the case of lack of lease payments or adjustment of the applicable VAT rate in effect, the output VAT may continue to be in a shortfall in the future, and we may have to write-down the other tax recoverable, which may significantly affect our financial condition.

The fair value measurements of ordinary shares with redemption right require the use of estimates that are based on unobservable inputs, which inherently involve a certain degree of uncertainty, and the fair value change of ordinary shares with redemption right could materially affect our financial performance.

As at 31 December 2020, 2021, 2022 and 30 June 2023, our financial liabilities at fair value through profit and loss which was categorised as level three fair value measurement consisted of ordinary shares with redemption right. Our financial liabilities amounted to RMB177.9 million, RMB196.6 million, RMB163.1 million and RMB120.6 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

Our Group has engaged an independent valuer to determine the underlying share value of our Group by discounted cash flow method and adopted equity allocation model to determine the fair value of the ordinary shares with redemption right as of the date of issuance and at the end of each reporting period. See note 3 to the Accountant's Report in Appendix I to this document for more information about the fair value measurement of our financial liabilities at fair value through profit and loss which was categorised as level three fair value measurement. Changes in the unobservable inputs will affect the estimated fair value of our financial liabilities at fair value through profit and loss which was categorised as level three fair value measurement, which leads to uncertainty in accounting estimation.

We recognised fair value loss on ordinary shares with redemption right of RMB6.9 million and RMB4.2 million and fair value gain on ordinary shares with redemption right of RMB47.3 million and RMB46.3 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. A substantial increase in the fair value of our financial liabilities at fair value through profit or loss may have an adverse effect on our financial position and as well as our results of operations.

Such redemption right was no longer exercisable upon the filing of the **[REDACTED]** application and will be terminated upon **[REDACTED]**.

We are exposed to the risk of inventories obsolescence.

As at 31 December 2020, 2021, 2022 and 30 June 2023, we had inventories of approximately RMB142.0 million, RMB141.9 million, RMB193.6 million and RMB127.5 million, respectively. Our average inventory turnover days for our automobile finance lease business were 96 days, 54 days, 58 days and 53 days for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The demand for automobiles is dependent on our customers' preferences and the economic condition, which are beyond our control. We assess our provision for inventories at the end of each financial year or period. Our automobile inventory provision amounted to RMB5.8 million, RMB7.8 million, RMB6.1 million and RMB5.6 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. Any substantial increase in inventories may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected.

Our business and results of operations may be severely affected due to the outbreak of diseases or epidemics.

Any occurrence of diseases or epidemics may cause material disruptions to our business operations. The COVID-19 pandemic has affected the global economy. The COVID-19 outbreak resulted in nationwide restrictions on travel and public transport, and the implementation of social distancing measures in China in 2020. As a result, our automobile retail and finance business, and our automobile operating lease business were adversely affected in the first half of 2020. In 2022, COVID-19 variants, such as Omicron strains, triggered new infection waves in China. Some regions in China took restrictive control measures. For the latest measures for the prevention and control of the COVID-19, please refer to "Business — Impact of COVID-19 Outbreak on Our Business".

We cannot accurately predict what effects the pandemic or any new variants will have on our business operations or financial performance, due to the fact that the impact depends on many factors which are out of our control, such as the duration of the pandemic, and the corresponding travel restrictions and other restrictive measures imposed by government authorities, which can potentially create uncertainty about the overall demand for automobiles and automobile services, as well as constraints on automobile supplies.

There is no assurance that there will be no recurrence of any outbreak of diseases such as COVID-19 and its variants, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome Coronavirus (MERS) or any other contagious disease or epidemic outbreaks in cities or provinces in China in which we do business. We may not be able to sustain our historical revenue and profit in the future.

We may be exposed to impairment losses on prepayments, deposits and other receivables.

Our prepayments, deposits and other receivables primarily consisted of (i) other tax recoverable; (ii) prepayment for inventories; and (iii) prepayment for auto-insurance premium. As at 31 December 2020, 2021, 2022 and 30 June 2023, our prepayment, deposits and other receivables were RMB238.4 million, RMB244.5 million, RMB266.0 million and RMB249.3 million, respectively. The impairment loss on prepayment, deposits and receivables recognised in profit or loss was RMB0.3 million, RMB0.4 million, RMB0.02 million and RMB0.05 million, respectively, during the Track Record Period. For details, see "Financial information — Description of Certain Items of Consolidated Statements of Financial Position — Prepayment, deposits and other receivables". Any material impairment loss on prepayments, deposit and other receivables could adversely affect our financial performance.

If our intangible assets are impaired, our results of operations and financial position may be adversely affected.

As at 31 December 2020, 2021, 2022 and 30 June 2023, our intangible assets were RMB26.7 million, RMB24.1 million, RMB21.8 million and RMB20.4 million, respectively. Our intangible assets comprise (i) computer software; (ii) self-developed applications; and (iii) intangible assets under development. Our Group has developed the software which is internally used for finance lease operation. For the purpose of impairment test on software under development as at 31 December 2020, 2021, 2022 and 30 June 2023, the recoverable amounts of the finance lease business units were determined based on value-in-use calculations. However, we cannot assure you that impairments or write-offs will not occur in the future, in which case our financial position and results of operations may be materially and adversely affected.

The fair value change of financial assets at fair value through profit or loss would have impact on our financial performance.

During the Track Record Period, our financial assets at fair value through profit or loss consisted of asset-backed securities and our minority investment in a partnership. As at 31 December 2020, 2021, 2022 and 30 June 2023, such financial assets at fair value through profit or loss amounted to nil, RMB26.0 million, RMB21.6 million and RMB22.5 million, respectively. Any changes in the unobservable inputs will affect the estimated fair value of our financial assets at fair value through profit or loss, which lead to uncertainty in accounting estimation. A substantial decrease in the fair value of our financial assets at fair value through profit or loss may have an adverse effect on our financial position as well as our results of operations if we hold any financial assets at fair value through profit or loss in the future.

The markets we operate in are competitive.

We face intense competition in the automobile finance lease business and automobile-related businesses from both traditional and internet-based RAFLCs and we cannot guarantee that we will be able to sustain our competitive advantage or to effectively implement our business strategies. The top 20 companies in terms of transaction volume in 2022 in China's retail automobile finance lease market represent a market share of approximately 81.1%. Our Group ranked 4th in terms of transaction volume of direct finance lease with a market share of approximately 4.1% and 19th in terms of transaction volume of retail automobile finance lease among RAFLCs in the PRC in 2022 according to the CIC Report. Our current and potential competitors may have greater financial, technical, marketing and other resources devoted to the development of their businesses. As such, they may be able to develop new and better services and respond more quickly to new technologies, which may be more appealing to consumers. This may have a material adverse impact on our financial condition, results of operations and growth prospects.

We may fail to maintain or enlarge our consumer base.

Our Directors believe that our success depends in part on our ability to maintain and enlarge our consumer base by providing our consumers with distinct and satisfactory experience in using our automobile services. If we fail to deliver satisfactory experience to our automobile finance lease customers as well as automobile operating lease customers, they may look for substitutes and turn to our competitors not only for automobile finance lease and automobile operating lease services, but also other automobile-related businesses. As such, our business partners, including but not limited to auto dealers and third party automobile aftermarket service providers, may find us less attractive for business cooperation and thus reduce or suspend their cooperation with us. Our business and results of operations may therefore be adversely affected.

If we are unable to maintain stable relationships with automobile suppliers, our results of operation may be adversely affected.

We primarily procure new automobiles from auto dealers, some of which we have entered into framework supply agreements with. We believe that maintaining stable relationships with automobile suppliers is critical to a steady supply of and favourable discount in purchasing automobiles. If we are unable to maintain stable relationships with our automobile suppliers, we may not enjoy a steady supply, or at all, of automobiles. Our cost of procurement of automobiles may also increase as we may not be able to purchase automobiles on favourable terms. As such, our business, results of operations and financial condition will suffer.

We have very limited control over the services of third party automobile aftermarket service providers.

We operate an automobile aftermarket service platform with our 52 Car APP where car-user customers were able to access over 500 automobile service locations operated by third party automobile aftermarket service providers in the PRC as at the Latest Practicable Date. However, we have very limited control over the operation of these automobile aftermarket service providers as our staff do not manage or operate their services. If these automobile aftermarket service providers fail to deliver reliable, effective and satisfactory services to our customers, our customers may associate these with our Group. As we expand to work with more automobile aftermarket service providers, it may be more difficult for us to monitor and ensure their service quality. Any poor or unsatisfactory services from these service providers to our car-user customers may harm our corporate image and, thus, materially and adversely affect our business and results of operations.

Failure to protect the confidentiality of our customers' personal data could cost us penalties and bring a negative impact on our corporate image.

In the provision of our services, we collect, store and transmit personal information about our customers, for example, names, addresses, contact information, financial and credit information. To the extent allowed under the PRC laws and regulations, we may also provide personal data of our customers to third party automobile aftermarket service providers for the provision of our other automobile-related services. We are prohibited to collect, use or disclose such information without prior consent from our customers in accordance with the "Automotive Data Security Management Provisions" (《汽車數據安全管理若干規定(試行)》) issued on 16 August 2021, and became effective on 1 October 2021, and the "Personal Information Protection Law" (《中華人民共和國個人信息保護法》) issued on 20 August 2021, and became effective on 1 November 2021. We store the personal data of our customers on our IT systems which may be vulnerable to the attack of computer virus, worms, trojan horse, hackers or other similar computer system disruptive problems. We also rely on these automobile aftermarket service providers to enforce adequate controls over the personal data of our customers passed to them. In the event that we, unintentionally or mistakenly, or any of these automobile aftermarket service providers disclose or misappropriate any personal data of our consumers without necessary consent, we may face claims for identity theft or similar fraud claims or claims for other misuses of personal information, which in turn will cause damage to our corporate image. This may have a material adverse effect on our business, financial condition and results of operations.

Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to adapt to or comply with the evolving expectations and standards on environmental, social and governance matters from investors may adversely affect our business, financial condition and results of operation.

The public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue, such as greenhouse gases emissions and labour practice, could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the price of our Shares could be adversely effected. Further, if there is a shift in market sentiment towards environmentally friendly products in the foreseeable future and our Group is unable to adapt to the changing market preference or innovate, we may not be able to maintain our competitiveness, or even lose out on market share, causing adverse impacts on our business operations and financial performance.

Our business is subject to seasonal fluctuations.

We have experienced, and expect to continue to experience various level of seasonal fluctuations in our revenues and results of operations, which are a reflection of consumers' automobile purchase patterns. More consumers tend to purchase automobiles in December each year until before the Chinese New Year in the next calendar year. As a result, our revenue may vary from quarter to quarter, causing volatility in our results of operations. This may lead to fluctuations in the price of our Shares.

We may face potential liabilities arising from the use of our leased automobiles by our customers.

According to PRC Tort Law, when a person drives a leased automobile and is held liable for a traffic accident, liability will first be covered by the compulsory traffic accident liability insurance. Any portion beyond the coverage of the insurance will be borne by the driver of the leased automobile, unless the registered owner of the automobile has committed negligence in the accident. Due to the nature of our business, it is inevitable and beyond our control that we may be joined as one of the defendants for car accident cases involving our customers as we are the legal owner of the automobiles. During the Track Record Period and up to the Latest Practicable Date, we had been involved in a number of claims, litigations and pending or threatened claims in our ordinary and usual course of business. See "Business — Legal Proceedings" for further details. However, since judicial proceedings determining the cause of the traffic accident can be costly and time consuming, and the results of such proceedings can be uncertain, we cannot assure you that we will succeed in defending ourselves every time in such proceedings. In case we fail, our reputation and financial performance of our Group could be harmed.

We may encounter potential failure to comply with the final form of the Draft Data Security Regulations.

On 14 November 2021, the CAC released the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**", together with the Cybersecurity Review Measures, the "**Cybersecurity Regulations**"). The Draft Data Security Regulations cover a wide range of cyber data security issues and govern the use of networks to carry out data processing activities, as well as the supervision and management of cyber data security in the PRC. The Draft Data Security Regulations are applicable to the use of networks to carry out data processing activities, and the supervision and management of network data security in the PRC, as well as several situations of overseas data processing activities that process personal and organisational data of PRC. If the Draft Data Security Regulations takes effect in the current form in the future, we do not have any obstacles in meeting the requirements and completing the application timely, given our Group's relevant internet data protection mechanism has been established. However, if the future Draft Data Security Regulations were to take effect in the form that is different from the current form, our current internet data protection mechanism established may not be competent to meet the future requirements, and we may encounter potential failure to comply with the final form of the Draft Data Security Regulations with potential fines of RMB50,000 to RMB500,000 or being imposed to suspend relevant operations or suspend business for rectification in case of any serious consequence caused.

We cannot assure you that our automobile monitoring platform and our provision of services on our mobile applications can continue to run without any significant disruption.

Our business operation is dependent on the accuracy and stability of our automobile monitoring platform to keep track of our leased automobile and the capability of our IT systems to process a huge amount of information and transactions. The proper functioning and satisfactory performance of our automobile monitoring platform, our mobile applications and our underlying IT network infrastructure are crucial to our business operations, reputation and our ability to compete in the market. However, we cannot assure you that access to our mobile applications and the operation of our automobile monitoring platform and the host of our IT system will be error-free and not materially disrupted due to, among other things, fire, natural disasters, power suspension, faulty software, computer viruses, unauthorised access or security breaches. In case of significant disruption to our automobile monitoring platform, our mobile applications or IT system, our business operation would be materially and adversely affected.

There is no guarantee that we can effectively implement our business strategies, maintain our current average effective interest rate charged for newly entered finance lease agreements, and our business, results of operations and financial condition may be materially and adversely affected accordingly.

Our business and growth prospects depend in part on our ability to effectively implement our business strategies and maintain our current average effective interest rate charged for newly entered finance lease agreements. According to CIC, lower effective interest rates of finance lease services may be charged by industry players from time to time if the RAFLCs offer occasional promotions and more competitive pricing options to car buyers, and fluctuations in market interest rates could also affect the level of effective interest rates charged by RAFLCs. Our business, results of operations and financial condition may be materially and adversely affected if we fail to allocate resources adequately to support our growth or implement our business strategies, or our average effective interest rate charged for newly entered finance lease agreement is significantly reduced.

Our ability to implement our business strategies also depends on, among other things, the general economic conditions in the PRC, the PRC laws and regulations relating to our business segments and the availability of management, financial and technical resources.

We have historically benefited from government grants and there can be no assurance that we will continue to receive such benefits.

We recorded government grants of approximately RMB24.4 million, RMB16.7 million, RMB22.6 million and RMB11.5 million, respectively, for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, as part of our other income. Government grants primarily consist of the fiscal support that local governments offer to our Group companies engaged in the finance lease business in the PRC. The fiscal support mainly represented VAT refund from the government as we are one of the 13th batch of pilot enterprises of domestic-funded finance leasing business jointly approved by the MOFCOM and the SAT. However, we cannot assure you that we will continue to receive the same or similar refund of VAT or government grants. Any loss or reduction in benefits could have an adverse effect on our financial conditions, results of operations and prospects.

Inability to keep up with technological developments may cause material adverse impact on our business and results of operations.

We believe the ability to keep up with technological developments is essential to our business. There is an increasing trend of accessing the Internet through smartphones, tablets and other mobile devices. There are also continuing launches of new electronic devices, new technologies, new mobile platforms and updates to mobile platforms. As such, it is crucial for us to keep developing and updating our mobile application to incorporate new technologies and accommodate these new devices and new mobile platforms, all of which require significant technological and financial resources. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business and results of operations.

We may fail to protect our intellectual property rights, and we may also be subject to intellectual property infringement claims or other allegations by third parties.

Our trademarks, software copyrights and other intellectual property rights and proprietary information are crucial to our business. We rely on the applicable laws to protect our intellectual property rights. However, enforcing a claim against a third party for infringement on our intellectual property rights can be expensive, time consuming and unpredictable. We cannot assure you that we will be able to enforce our intellectual property rights effectively, or at all. Any unauthorised use of our intellectual property rights and proprietary information could adversely affect our business, reputation and competitive advantages.

On the other hand, we may be subject to intellectual property infringement claims or allegations by third parties. There may be a risk that third parties, including our competitors, will allege and claim that our technologies and online platforms violate their trademarks, patents, copyrights or other intellectual property rights they own. Defending such claims can be costly and time consuming. We cannot be certain that we will obtain favourable judgments in all cases. In the event that we are held liable for infringement of third parties' intellectual property rights, any resulting liability, expenses or injunctions on any of our mobile applications may cause a material adverse impact on our business and results of operations.

We may be exposed to product liability claims for faulty automobiles leased by us.

We cannot be certain that all the automobiles leased by us are free of any inherent defects. In cases where any personal injury or property damage arises out of our leased faulty automobiles, we may be subject to product liability claims by third parties subject to such injury or damage since we leased such defective automobiles. If we are subject to product liability claims, such legal proceedings can be expensive and time consuming. There is also no guarantee that we can obtain favourable results in such proceedings. As a result, any material product liability claim can put our business, reputation, financial condition and results of operations at risk.

We may not be able to retain our senior management team and key personnel.

Our business operation depends highly on the continuing efforts of our senior management and other key personnel. The industry experience, expertise and contributions of our executive Directors and other members of our senior management as set out in "Directors and Senior Management" in this document remain essential to our continuing success. Each of them takes an important role in formulation and implementation of our business strategies. We require a sufficient number of experienced and competent personnel to implement our growth plans. However, we may not be able to retain our senior management or other key personnel, which could have a negative impact on our ability to maintain our competitive position and expand our business. As a result, our business and results of operations could be materially and adversely affected.

We may face penalties for the non-registration of our lease agreements.

As at the Latest Practicable Date, 135 of our lease agreements had not been registered with the relevant regulatory authorities primarily due to the lessors did not provide the necessary support or documents for filing. Pursuant to the requirements of the Administrative Measures for Commodity House Leasing and relevant local rules, we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations imposed by local authorities. As at the Latest Practicable Date, we did not receive any rectification order, nor have we been subject to any fine or penalty in respect of the failure to register lease agreements. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfil the registration requirements, which may increase our cost, in the future.

Acts of God, acts of war, epidemics and other disasters could affect our business.

Our business is subject to the general and social conditions in China. Acts of God such as natural disasters, epidemics, and other disasters which may materially and adversely affect the economy, infrastructure and livelihood of the people in China are beyond our control. Our business, results of operation and financial condition may be materially and adversely affected if these natural disasters occur.

Apart from natural disasters, epidemics may materially and adversely affect people's livelihood and even threaten people's lives. Any outbreak of an epidemic is beyond our control and there is no assurance that epidemics like severe acute respiratory syndrome, avian flu or the human swine flu will not happen again. For example, the outbreak of COVID-19 has caused temporary suspension of productions and shortage of labour and raw materials in affected regions, and disrupted local and international travel and economy. The COVID-19 outbreak has caused an adverse impact on the economy and social conditions in China and other countries. In the event of an outbreak of any pandemic or epidemic in China, our business, results of operation and financial conditions may be materially and adversely affected.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect our revenue, cost of sales, results of operation, financial condition or Share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

Our Company is a holding company and relies on dividend payments from our subsidiaries.

Our Company is a holding company and rely principally on dividends paid by our subsidiaries to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries. The ability of our subsidiaries to pay dividends or other distributions to us may be subject to its earnings, financial position, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. If our subsidiaries incur debt in their own name in the future, the instruments or agreements governing the debt may restrict it from declaring dividends or making other distributions to us, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company's future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

RISKS RELATING TO THE [REDACTED]

There is no existing public market for our Shares. The liquidity and market price of our Shares may fluctuate after the [REDACTED].

Prior to the **[REDACTED]**, there has not been a public market for our Shares. Whilst we have applied for the **[REDACTED]** of and dealing in our Shares on the Stock Exchange, even if the application is successful, we cannot assure you that an active and liquid public trading market for our Shares will develop or sustain following the **[REDACTED]**. Volatility in the price of our Shares may be unrelated or disproportionate to our operating results and caused by factors outside our control, such as business interruptions resulting from natural disasters or accidents or regulatory developments or market changes in the PRC affecting us or the industries in which we participate. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The **[REDACTED]** will be the result of, negotiations among us and the **[REDACTED]** on behalf of the **[REDACTED]** and may not be indicative of prices that will prevail in the trading market after the **[REDACTED]**. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the **[REDACTED]**.

Our Shareholders may experience further dilution if we issue additional Shares in the future.

We may need to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per Share, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Future sales or perceived sales of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital.

The market price of our Shares could decline as a result of future sales or issuances of a substantial number of our Shares or other securities in the public market, or the perception that such sales or issuances may occur. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing market price of our Shares and our ability to raise future capital at a favourable time and price.

We cannot give any assurance that the current Shareholders will not dispose of any Shares they own now or may own in the future, and such future sales or issuances or perceived sales or issuances may adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a favourable time and price.

There can be no assurance if and when we will pay dividends in the future.

There can be no assurance whether, when and in what form we will pay dividends in the future. Distribution of dividends is formulated by our Board and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. See "Financial Information — Dividends and Dividend Policy" for further details.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and, under Cayman Islands law, protection to minority shareholders may differ from those established under the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum of Association and the Articles and by the Cayman Companies Act and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those which they would have under the laws of Hong Kong or other jurisdictions. See "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" for further details.

Investors should exercise independent judgement when assessing the accuracy of facts, forecasts, estimates and statistics which are derived from government and third party sources.

We have derived certain statistics in this document, particularly those relating to the PRC, the PRC economy, the PRC automobile industry, the PRC automobile finance lease industry, the PRC automobile operating lease market, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third party sources. We have taken reasonable care in the reproduction or extraction of the official government publications or reports for the purpose of disclosure in this document, however, which have not been prepared or independently verified by us, the Sole Sponsor or any of the respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics from these official government sources, which may not be consistent with other information compiled within or outside the PRC. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Investors should read the entire document and we strongly suggest you not to place undue reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the [REDACTED].

There has been, prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press, media, and/or research analyst coverage regarding us, our business, our industry and the **[REDACTED]**. You should rely solely upon the information contained in this document in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the **[REDACTED]**, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Therefore, prospective investors are cautioned to make their investment decisions on the basis of information contained in this document only and should not rely on any other information.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements that are "forward-looking" and uses forward looking terminology such as "anticipate", "estimate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", and "will". Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Investors of our **[REDACTED]** are cautioned that reliance on any forward-looking statement involves risks and uncertainties (include those identified in the risk factors discussed above) and that, any or all of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations and warranties by us that our Company's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.