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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our financial information, including the notes thereto, as set out in “Appendix I — Accountant’s Report” to this document. The financial information has been prepared in accordance with IFRS. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains forward-looking statements that involves risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.*

### OVERVIEW

We are an established automobile retailer providing automobile finance lease service primarily through our self-operated sales outlets in the PRC. Our Group’s principal businesses comprise: (i) automobile retail and finance, where we sell non-luxury automobiles mostly on direct finance lease; and (ii) automobile-related businesses, where we primarily offer automobile operating lease service and other automobile-related services. We are one of the offline third party RAFLCs among all the RAFLCs (i.e. bank-affiliated, automaker or automobile dealer-affiliated, offline third party RAFLCs and internet-backed third party RAFLCs). According to the CIC Report, in terms of transaction volume of direct finance lease, we ranked 4th and had market share of approximately 4.1% in the PRC in 2022. In terms of transaction volume of retail automobile finance lease among all RAFLCs, including both direct finance lease and sale-leaseback, we ranked 19th and had a market share of approximately 0.7% in the PRC in 2022. Please refer to “Industry Overview — Analysis of The Retail Automobile Finance and Retail Automobile Finance Lease Market in China” for details.

During the Track Record Period, our automobile retail and finance business was the principal revenue contributor, which accounted for 79.7%, 86.4%, 87.4% and 88.7% of total revenue for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

We recorded profit for the year/period of RMB10.3 million, RMB30.7 million, RMB77.1 million and RMB62.3 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our profit for the year increased by 199.3% from RMB10.3 million for the year ended 31 December 2020 to RMB30.7 million for the year ended 31 December 2021, mainly driven by our revenue growth due to the recovery from the adverse impact of COVID-19 in 2020. Our profit for the year increased by 151.2% from RMB30.7 million for the year ended 31 December 2021 to RMB77.1 million for the year ended 31 December 2022, mainly due to the fair value gain on ordinary shares with redemption right of RMB47.3 million for the year ended 31 December 2022 whereas we recorded fair value loss on ordinary shares with redemption right of RMB4.2 million for the

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year ended 31 December 2021. Our profit increased by 40.4% from RMB44.3 million from the six months ended 30 June 2022 to RMB62.3 million for the six months ended 30 June 2023, mainly driven by (i) our revenue growth from RMB538.1 million to RMB601.0 million, principally due to the recovery from the adverse impact of COVID-19 in 2022 and our increased sales and marketing efforts by hiring more sales staff and opening new self-operated sales outlets to grow our business; and (ii) the increase in the fair value gain on ordinary shares with redemption right by RMB11.8 million for the six months ended 30 June 2023.

Our adjusted net profit (non-IFRS measures) amounted to RMB21.3 million, RMB49.5 million, RMB42.4 million and RMB22.1 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The adjusted net profit (non-IFRS measures) is presented as an additional financial measure which is not required by, nor presented in accordance with IFRS. See “Financial Information — Non-IFRS Measures” for further details.

We place top priority on the management of the risks associated with our business. As a result of our risk management system, we have managed to maintain relatively low non-performing asset ratios during the Track Record Period. As at 31 December 2020, 2021, 2022 and 30 June 2023, our non-performing asset ratios were 0.7%, 0.7%, 0.7% and 0.8%, respectively. As a result of our effective automobile repossession and disposal measures, as well as the legal proceedings we initiated against our default customers, as at the Latest Practicable Date, out of the early terminated contracts for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, 99.6%, 99.3%, 99.9% and 99.5% of the automobiles were successfully repossessed and sold, leased or put into our own commercial use, representing 97.3%, 96.2%, 96.9% and 96.5% of the outstanding amount of finance lease receivables of such early terminated contracts for the corresponding year/period, respectively.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Cayman Companies Act. Through a corporate reorganisation as further explained in “History, Reorganisation and Corporate Structure — Reorganisation” in this document, the **[REDACTED]** Business (as defined in the Accountant’s Report in Appendix I to this document) was transferred to and held by our Company. The Reorganisation is merely a recapitalisation of the **[REDACTED]** Business with no change in management of such business and the ultimate owners of the **[REDACTED]** Business remain substantially the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of the **[REDACTED]** Business. Financial information of our Group has been prepared and presented as a continuation of the **[REDACTED]** Business (as defined in the Accountant’s Report in Appendix I to this document) with the assets and liabilities of our Group recognised and measured at the carrying amounts of the **[REDACTED]** Business for all periods presented, on the basis set out in the Accountant’s Report in Appendix I to this document.

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Our financial information has been prepared in accordance with IFRS issued by the IASB and has been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative instruments) that are measured at fair value. The financial information is presented in RMB, which is our Group’s functional currency.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operation have been, and/or will be affected by a number of factors, including those set out below:

#### **Demand for automobile direct finance lease in the PRC**

Our business, financial condition and results of operations depend significantly on automobile retail and finance business. Our operations primarily focus on tier two, and tier three and below cities in the PRC. Therefore, the demand for non-luxury automobiles in tier two, and tier three and below cities in the PRC, and especially for the automobiles of the brands we sell, directly affects our sales of automobile under finance lease upon which our business, financial condition and results of operations depend significantly. Our revenue from automobile retail and finance business contributed 79.7%, 86.4%, 87.4% and 88.7% of total revenue for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. We sold 3,901, 7,375, 7,153 and 3,740 automobiles under finance lease for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

According to the CIC Report, market demand for retail automobile finance lease in general in the PRC is driven by various factors including, among others, the rising consumer awareness of retail automobile finance lease, the development of the residual value forecasting model, the legal and regulatory environment, online platforms and mobile applications, the risk control systems, the maturing used car market, favorable policies and regulations and the stimulation by the Internet. In 2022, the loan volume of the direct finance lease market reached 0.3 million units, increasing from 0.2 million units in 2018, representing a CAGR of 11.1% from 2018 to 2022. Driven by benefit of lower down payment and the expansion of e-hailing vehicle platform, the loan volume of direct finance lease market is expected to reach 0.6 million units in 2027, representing a CAGR of 15.6% from 2022 to 2027.

#### **Interest rate environment**

We generate a portion of our revenue from interest arising from our finance lease arrangements. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our finance lease income accounted for 31.3%, 20.0 %, 23.0% and 24.7% of our total revenue for the corresponding year/period, respectively. Our

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average effective interest rate charged on newly entered finance lease agreements was at 20.5%, 19.4%, 18.5% and 18.7% for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

We primarily finance our business through borrowings. As at 31 December 2020, 2021, 2022 and 30 June 2023, our borrowings amounted to RMB1,156.0 million, RMB1,382.8 million, RMB1,713.4 million and RMB1,857.9 million, respectively, and our weighted average effective interest rate of borrowings was 8.5%, 8.5%, 8.6% and 8.5%, respectively. For details of analysis, please refer to the paragraph below headed “Indebtedness” in this section.

The interest rates we charge our customers are an important factor that influences our revenue. The interest rate charged to a customer is determined by taking into account factors including prevailing market interest rates, market competition, the creditworthiness of customers, our funding cost, potential impairment losses and our target profit margin. Such funding cost is sensitive to many factors beyond our control, including the regulatory framework of the banking and financial sectors in the PRC and domestic and international economic and political conditions. Significant change in interest rates will have a direct impact on our finance lease income, cost of funding and net interest margin, which will in turn affect our profitability and financial condition. In the event of interest rate increase or the perception of increase, our ability to obtain funding at a favourable rate could be adversely affected. If we are unable to obtain funding at a favourable rate or we cannot fully pass the finance cost increment onto our customers, there will be a material adverse impact on our financial condition and results of operation.

### **Our funding capabilities**

Our automobile retail and finance business and automobile operating lease business are capital intensive. During the Track Record Period, we were able to fund our Group through debt financing and equity financing. Our debt financing included (i) interest-bearing loans; (ii) automobile finance lease arrangement; (iii) factoring of finance lease receivables; and (iv) asset-backed securities. As at 31 December 2020, 2021, 2022 and 30 June 2023, our borrowings in aggregate amounted to RMB1,156.0 million, RMB1,382.8 million, RMB1,713.4 million and RMB1,857.9 million, respectively. Our equity financing was mainly from equity investment from our Shareholders.

We do not rely on any single source of funding and we regularly adjust our borrowings with our operational needs. After the [REDACTED], as we become a public company, we expect to have better access to capital markets and enhanced funding capabilities. Our ability to continue to access additional funding may be influenced by factors affecting the PRC and global credit environment over which we have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments such as these may impact our ability to sustain our funding or to expand our business and would impact our business and profitability.

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### **Our risk management capabilities**

We are subject to a variety of risks, primarily interest rate risk, credit risk and liquidity risk. We have developed a risk management and internal control system to address the risks we are subject to and to minimise the potential adverse effect on the financial performance of our Group. Our management also continue to monitor, evaluate and review the operation and performance of our risk management and internal control system, and adapt to the changes in market conditions, our product and service offerings, and the regulatory environment. For details of our Group’s risk management, please refer to the section headed “Risk Management and Operations” in this document.

### **Product and service mix**

We provide a wide range of automobile related finance and operating lease products and services. Our Group’s principal businesses comprise: (i) automobile retail and finance, where we sell non-luxury automobiles mostly on direct finance lease primarily through our sales outlets; and (ii) automobile-related businesses, where we primarily offer automobile operating lease service and other automobile-related services.

During the Track Record Period, sales of automobile under finance lease was the largest component of our total revenue, which contributed 48.4%, 66.4%, 64.4% and 64.0% of our total revenue for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. However, the gross profit margin of our sales of automobile under finance lease was lower than the gross profit margin of our finance lease income during the Track Record Period. For example, our gross profit margin decreased from 40.5% for the year ended 31 December 2020 to 30.9% for the year ended 31 December 2021, which was mainly attributable to the significant increase in the revenue from sales of automobile under finance lease from RMB362.9 million for the year ended 31 December 2020 to RMB777.9 million for the year ended 31 December 2021, the contribution of which to our total revenue increased from 48.4% for the year ended 31 December 2020 to 66.4% for the year ended 31 December 2021.

As each of the existing or new services and products often carries a different cost structure and gross profit margin, our product and service mix will impact our overall cost structure and gross profit margin. Thus, our results of operation may vary from period to period as a result of the change in the composition of our revenue from different product and service mix.

### **Expansion of our self-operated sales outlets**

Expansion of our self-operated sales outlets has an effect on our results of operations and financial condition. During the Track Record Period, our self-operated sales outlets were mainly located in tier two, tier three and below cities in the PRC. As at 30 June 2023, we operated one self-operated sales outlet in tier one city in the PRC, 34 self-operated sales outlets in tier two cities in the PRC and 39 self-operated sales outlets in tier three and below cities in the PRC.



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The growth of our business, to a certain extent, depends on our ability to expand into new markets and acquire new customers efficiently. We have a proven track record of successfully expanding our geographic footprint in tier two, tier three and below cities.

### **Impact of outbreak of disease or epidemic in the PRC**

In 2020, the outbreak of a novel coronavirus (COVID-19) affected the economic activities in the PRC. In response to the spread of COVID-19 in the PRC in 2020, the PRC government imposed quarantine measures across the PRC, and local governments imposed temporary mobility restrictions or travel bans to control the spread of COVID-19 in the PRC in 2020, which affected market demand for our products and services.

Following the resurgence of COVID-19 in a number of provinces in the PRC, lockdown of several cities and regions in the PRC and pandemic control measures were implemented during the period from October 2022 to early December 2022 as a means to contain the spread of COVID-19. The pandemic control measures impacted our operations as certain of our self-operated sales outlets had to temporarily suspend operations.

Any occurrence of pandemics or epidemics in the PRC may adversely affect our financial results and financial condition.

For details, please refer to “Business — Impact of COVID-19 on Our Business” and “Risk Factors — Risks Relating to Our Business and Industry”.

### **SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

We have identified certain accounting policies that are most significant to the preparation of our Group’s financial statements in accordance with IFRSs. The financial statements of our Group has been prepared in accordance with the principal accounting policies as set out in Accountant’s Report which are in accordance with IFRSs issued by IASB. Note 2 to the Accountant’s Report in Appendix I to this document sets out these significant accounting policies, which are important to understand our financial conditions and results of operations.

Some of our accounting policies involve subjective assumptions, estimates, as well as complex judgements relating to assets, liabilities, income, expenses and other accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. The significant accounting estimates and judgements are set out in detail in note 4 to the Accountant’s Report in Appendix I to this document. We set out below those accounting policies and estimates that we believe involve the most significant estimates and judgements used in the preparation of our consolidated financial statements.

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In the relation to the valuation of our Group’s financial assets and liabilities measured at fair value through profit and loss (FVTPL) categorised within level 3 of fair value measurement, our Group had (i) carefully considered the valuation model prepared by the independent qualified valuer in determining the fair value of such financial assets and liabilities and the valuation related policies, methodologies and techniques; and (ii) reviewed relevant agreements and supporting documents, including investment agreements, memorandum of associations, among others, to understand the detailed underlying terms and conditions that may affect the valuation of financial instruments. Based on the above-mentioned work, our management is satisfied with the categorisation within level 3 of fair value measurement pursuant to the SFC’s “Guidance note on directors’ duties in the context of valuations in corporate transactions.”

The Sole Sponsor has conducted relevant due diligence work, including (i) understanding from our Company the nature and details of the financial assets and liabilities measured at FVTPL categorised within level 3 of fair value measurement and obtaining and reviewing the list of such financial assets and liabilities during the Track Record Period; (ii) obtaining and reviewing the terms of the relevant agreements and documents regarding such financial assets and liabilities; (iii) reviewing relevant notes in the Accountant’s Report set out in Appendix I to this document; (iv) understanding the background and qualifications of the valuer in relation to such financial assets and liabilities; (v) obtaining and reviewing the valuation reports by the valuer in relation to such assets and liabilities; (vi) understanding from the independent qualified valuer the key bases, assumptions and methodologies used in the valuation reports; (vii) understanding from the Company the key bases and assumptions for the valuation of the financial assets and liabilities; and (viii) discussing with the Reporting Accountant to understand the work it has performed in relation to financial assets and liabilities for the purpose of reporting on the historical financial information, as a whole, of the Group. Having considered the work done by the management and the independent qualified valuer, and the relevant due diligence done as stated above, nothing material has come to the Sole Sponsor’s attention that indicates that the Company’s management have not undertaken independent and sufficient investigation and due diligence on such financial assets and liabilities.

Details of the fair value measurement of such financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in note 3.3 to the Accountant’s Report set out in Appendix I to this document, which was reported by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this document.

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### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sales of goods and services rendered in the ordinary course of our Group’s activities, stated net of discounts and after eliminated sales within our Group. Revenue is recognised when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at a point in time.

Control of the good or service is transferred over time if our Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as our Group performs; or
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

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

A contract liability is our Group’s obligation to render the goods or services to a customer for which our Group has received consideration from the customer.

Further details of our Group’s revenue and other income recognition policies are as follows:

***(a) Sales of automobile under finance lease arrangement***

Revenue from sales of automobile under finance lease arrangement is recognised upon transfer of control to customer which generally coincides with the time when the automobiles are delivered and accepted by the customers, which is determined as the lower of the fair value of the underlying automobiles and the present value of the lease payment accruing to our Group. The corresponding leased asset is derecognised when finance lease receivable is recognised on the consolidated statements of financial position.

***(b) Finance lease income***

Our Group provides automobile finance lease services to customers, with the sales of automobile. The income under finance lease 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 lease receivables.



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*(c) Automobile operating lease income*

Our Group provides automobile operating lease services to individual and corporate customers. Revenue from these services is recognised on a straight-line basis in accordance with the terms of the operating leases.

*(d) Other automobile-related income*

Our Group operates automobile aftermarket service platform for car users to facilitates third party vendors to provide aftermarket usage solutions to car users during automobile usage life cycle. Facilitation income is charged to the business-end customer at a fixed percentage of the volume of transactions completed with no variable consideration and is not refundable. Our Group recognises revenue when the facilitation services are completed.

Revenue from other services including promotion of insurance solutions provided by third party vendors is recognised when performance obligation is satisfied, and when our Group has an enforceable right to payment for performance completed to date.

### Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*(a) Our Group as a lessee*

Our Group leases various properties to operate our offices and stores. These leases are typically made for fixed periods of one to eight years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Neither extension nor termination options are included in property leases across our Group.

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Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities substantially include the net present value of fixed payments (including in-substance fixed payments). The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or our Group’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT-equipment and small items of office furniture.

**(b) Our Group as a lessor**

*Operating lease*

Leases of leased assets where our Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in consolidated statements of comprehensive income on a straight-line basis over the lease term.

Initial direct costs incurred by our Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in consolidated statements of comprehensive income over the lease term on the same basis as the lease income. Contingent rents are recognised as income in consolidated statements of comprehensive income when earned.

*Finance lease*

Leases where our Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases. Our Group will recognise as sales revenue, arising from the leased assets, at a lower of the fair value or present value of the minimum lease payments computed at a market interest rate. The difference between the sales revenue and the cost of sales is the selling profit or loss.

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The leased asset is derecognised and the present value of the lease receivable is recognised on the consolidated statements of financial position and included in finance lease receivables. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in consolidated statement of comprehensive income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by our Group in negotiating and arranging finance leases is recognised in consolidated statements of comprehensive income in the financial period corresponding to the recognition of selling profit.

Finance lease receivables that are factored out to financial institutions with recourse to our Group is not derecognised until the recourse period has expired and the risk and rewards of the finance lease receivables have been fully transferred.

## RESULTS OF OPERATIONS

The following table summarises our consolidated statements of comprehensive income for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2022 and 2023, as extracted from the Accountant’s Report set out in Appendix I to this document:

	Year ended 31 December			Six months ended 30 June	
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	749,761	1,171,262	1,141,526	538,138	601,001
Cost of revenue	<u>(446,163)</u>	<u>(809,506)</u>	<u>(767,079)</u>	<u>(352,824)</u>	<u>(403,710)</u>
Gross profit	303,598	361,756	374,447	185,314	197,291
Selling and marketing expenses	(75,056)	(83,164)	(81,096)	(41,976)	(44,086)
Administrative expenses	(105,629)	(114,879)	(115,146)	(61,066)	(56,896)
Research and development expenses	(423)	(2,106)	(722)	(374)	(273)
Provision for credit loss	(2,098)	(3,870)	(4,877)	(1,904)	(2,793)

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	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Fair value (loss)/gain on ordinary shares with redemption right	(6,932)	(4,153)	47,251	34,555	46,335
Other income, net	23,302	15,960	21,748	9,183	11,629
Other losses, net	<u>(6,621)</u>	<u>(8,713)</u>	<u>(6,814)</u>	<u>(2,579)</u>	<u>(4,015)</u>
Operating profit	130,141	160,831	234,791	121,153	147,192
Finance income	1,849	2,008	973	496	835
Finance cost	<u>(111,021)</u>	<u>(119,829)</u>	<u>(143,991)</u>	<u>(73,679)</u>	<u>(82,868)</u>
Finance cost, net	<u>(109,172)</u>	<u>(117,821)</u>	<u>(143,018)</u>	<u>(73,183)</u>	<u>(82,033)</u>
<b>Profit before income tax</b>	20,969	43,010	91,773	47,970	65,159
Income tax expenses	<u>(10,716)</u>	<u>(12,323)</u>	<u>(14,691)</u>	<u>(3,628)</u>	<u>(2,905)</u>
<b>Profit for the year/period</b>	<u>10,253</u>	<u>30,687</u>	<u>77,082</u>	<u>44,342</u>	<u>62,254</u>
Profit/(Loss) attributable to:					
— Owners of the Company	12,341	34,112	78,913	45,627	62,402
— Non-controlling interests	<u>(2,088)</u>	<u>(3,425)</u>	<u>(1,831)</u>	<u>(1,285)</u>	<u>(148)</u>
	<u>10,253</u>	<u>30,687</u>	<u>77,082</u>	<u>44,342</u>	<u>62,254</u>

### NON-IFRS MEASURES

To supplement our historical financial information set out in Appendix I to this document, we also present adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures) as additional financial measures, which are not required by, nor presented in accordance with IFRS. We present these financial measures because our management use them to evaluate our financial performance by eliminating the impact of certain items. We believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our business performance.

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Adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures) eliminate the effect of certain items, mainly [REDACTED] expenses and fair value loss/(gain) on ordinary shares with redemption right.

The following table reconciles our adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS. [REDACTED] expenses represent expenses relate to the [REDACTED], net of the PRC enterprise income tax. Fair value loss/(gain) on ordinary shares with redemption right represents the changes arising from change in fair value to ordinary shares with redemption right. Such changes are non-cash in nature. Upon the [REDACTED], all ordinary shares with redemption right will be automatically converted into ordinary shares which will no longer be recognised as financial liabilities at fair value through profit or loss.

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year/period	10,253	30,687	77,082	44,342	62,254
Add:					
[REDACTED] expenses, net of tax	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value loss/(gain) on ordinary shares with redemption right	6,932	4,153	(47,251)	(34,555)	(46,335)
<b>Adjusted net profit (non-IFRS measures)</b>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Adjusted net profit margin (non-IFRS measures)<sup>(Note)</sup></b>	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%

*Note:*

Adjusted net profit margin (non-IFRS measures) is calculated based on the adjusted net profit (non-IFRS measures) for the year/period divided by revenue for the respective year/period.



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### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

Our Group’s principal businesses mainly comprise (i) automobile retail and finance; and (ii) automobile-related businesses. For our automobile retail and finance business, we mainly generate revenue through sales of automobile mostly on direct finance lease. Our automobile-related businesses primarily represent the revenue generated from automobile operating lease.

For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our revenue was RMB749.8 million, RMB1,171.3 million, RMB1,141.5 million and RMB601.0 million, respectively. One of the key reasons behind the significant increase in revenue from RMB749.8 million for the year ended 31 December 2020 to RMB1,171.3 million for the year ended 31 December 2021, was driven by our tactic changes in hiring in sales headcounts to counter the challenges that COVID-19’s related control measures introduced by the Chinese national and regional governments during the Track Record Period. Our overall business performance was materially affected by COVID-19’s situation in China due to the nature of our business in automobile industry. In 2020, we took a series of measures in response to the COVID-19 outbreak in the PRC, such as temporary closure of some of our sales outlets due to the limitations on in-store operation during the pandemic, and executed headcount freeze. When the market recovered in 2021, we increased our hiring to capture the market opportunities. Therefore, the decrease in revenue for the year ended 31 December 2020 created a low base, and with our efforts in 2021, we quickly adjusted our hiring plan to capture the market opportunities and delivered a stronger performance for the year ended 31 December 2021 comparing to the year ended 31 December 2020. As at 31 December 2020, 2021, 2022 and 30 June 2023, the number of sales headcounts for our self-operated sales outlets was 336, 495, 472 and 624, respectively. Our total revenue for the year ended 31 December 2022 decreased by 2.5% as compared to the year ended 31 December 2021, mainly due to the impact on the operation of our sales outlets in various cities in the PRC brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts in the PRC in 2022, which led to the decrease in our sales of automobile under finance lease and our revenue from e-hailing operating lease business in certain regions in the PRC for the year ended 31 December 2022. Our revenue for the six months ended 30 June 2023 increased by approximately 11.7% as compared to the six months ended 30 June 2022 primarily due to the increase in revenue of 15.3% from our automobile retail and finance, mainly driven by the recovery from the adverse impact of COVID-19 in the PRC in 2022 and our increased

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sales and marketing efforts by hiring more sales staff and opening new self-operated sales outlets to grow our business. The following table sets out a breakdown of our revenue by service type for the years/periods indicated:

	2020		Year ended 31 December				Six months ended 30 June			
	RMB'000	%	2021	%	2022	%	2022	%	2023	%
			RMB'000		RMB'000		RMB'000		RMB'000	
							(unaudited)			
<b>Automobile retail and finance</b>										
Sales of automobile under finance lease <sup>(Note 1)</sup>	362,934	48.4	777,856	66.4	734,600	64.4	331,012	61.5	384,710	64.0
Finance lease income <sup>(Note 2)</sup>	234,705	31.3	234,561	20.0	262,498	23.0	131,093	24.4	148,191	24.7
Sub-total	<u>597,639</u>	<u>79.7</u>	<u>1,012,417</u>	<u>86.4</u>	<u>997,098</u>	<u>87.4</u>	<u>462,105</u>	<u>85.9</u>	<u>532,901</u>	<u>88.7</u>
<b>Automobile-related businesses</b>										
Automobile operating lease	132,606	17.7	144,163	12.3	126,018	11.0	69,247	12.9	61,433	10.2
Other automobile-related income	19,516	2.6	14,682	1.3	18,410	1.6	6,786	1.2	6,667	1.1
Sub-total	<u>152,122</u>	<u>20.3</u>	<u>158,845</u>	<u>13.6</u>	<u>144,428</u>	<u>12.6</u>	<u>76,033</u>	<u>14.1</u>	<u>68,100</u>	<u>11.3</u>
<b>Total</b>	<u>749,761</u>	<u>100.0</u>	<u>1,171,262</u>	<u>100.0</u>	<u>1,141,526</u>	<u>100.0</u>	<u>538,138</u>	<u>100.0</u>	<u>601,001</u>	<u>100.0</u>

Notes:

- (1) Revenue generated from the sales of new automobiles.
- (2) Revenue generated from the provision of finance lease for automobiles to customers.

### **Automobile retail and finance**

We sell our automobiles, including both passenger vehicles and e-hailing vehicles, mainly on direct finance lease. We provide a variety of financing packages to our customers. Our direct finance lease involves leasing of (i) our newly acquired automobiles mainly from auto dealers where we generate both sales of automobile and finance lease income; and (ii) repossessed automobiles due to customers' default where we record finance lease income only. Occasionally, depending on the availability of our resources, we may also provide automobile sale-leaseback arrangement to customers to generate finance lease income. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, the number of new automobiles sold under finance lease was 3,901 units, 7,375 units, 7,153 units and 3,740 units, respectively, and the number of newly entered finance lease agreements was 7,859, 11,308, 12,754 and 6,728, respectively.

Our revenue from automobile retail and finance business amounted to RMB597.6 million, RMB1,012.4 million, RMB997.1 million and RMB532.9 million, representing 79.7%, 86.4%, 87.4% and 88.7% of our total revenue for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. Our revenue from automobile retail and finance by way of direct finance lease accounted for 98.9%, 99.7%, 99.8% and 99.95% of total revenue generated from our automobile retail and finance business for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

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### *Sales of automobile under finance lease*

During the Track Record Period, we conducted our sales of automobile under finance lease principally through our self-operated sales outlets. We also worked with third party agents to promote passenger vehicles and e-hailing vehicles for our automobile retail and finance business. However, the non-performing asset ratio of our finance lease agreements through this channel was higher than that through our sales outlets. In 2021, we ceased to work with any third party agents to promote passenger vehicles for our automobile retail and finance business.

The following table sets out the breakdown of the number of new automobiles sold, the average price of new automobiles sold and our revenue from sales of automobile under finance lease by sales channel for the years/periods indicated:

	2020				Year ended 31 December 2021				2022			
	Number of new automobiles sold	Average price of new automobiles sold	Revenue from sales of automobile under finance lease		Number of new automobiles sold	Average price of new automobiles sold	Revenue from sales of automobile under finance lease		Number of new automobiles sold	Average price of new automobiles sold	Revenue from sales of automobile under finance lease	
		RMB'000	RMB'000	%		RMB'000	RMB'000	%		RMB'000	RMB'000	%
Self-operated sales outlets	3,706	93	344,445	94.9	7,360	105	776,299	99.8	7,119	103	731,232	99.5
Automobile agents	195	95	18,489	5.1	15	104	1,557	0.2	34	99	3,368	0.5
<b>Total</b>	<b>3,901</b>	<b>93</b>	<b>362,934</b>	<b>100.0</b>	<b>7,375</b>	<b>105</b>	<b>777,856</b>	<b>100.0</b>	<b>7,153</b>	<b>103</b>	<b>734,600</b>	<b>100.0</b>

  

	Six months ended 30 June							
	2022				2023			
	Number of new automobiles sold	Average price of new automobiles sold	Revenue from sales of automobile under finance lease		Number of new automobiles sold	Average price of new automobiles sold	Revenue from sales of automobile under finance lease	
	RMB'000	RMB'000	%		RMB'000	RMB'000	%	
Self-operated sales outlets	3,020	109	328,678	99.3	3,733	103	383,212	99.6
Automobile agents	24	97	2,334	0.7	7	214	1,498	0.4
<b>Total</b>	<b>3,044</b>	<b>109</b>	<b>331,012</b>	<b>100.0</b>	<b>3,740</b>	<b>103</b>	<b>384,710</b>	<b>100.0</b>

### Self-operated sales outlets

Our sales of automobile under finance lease from self-operated sales outlets amounted to RMB344.4 million, RMB776.3 million, RMB731.2 million and RMB383.2 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively, accounted for 94.9%, 99.8%, 99.5% and 99.6% of our sales of automobile under finance lease for the corresponding year/period, respectively. During the Track Record Period, we took a series of measures in response to the COVID-19 outbreak in the PRC, such as temporary closure of some of our sales outlets due to the limitations on in-store operation during the pandemic, and executed headcount freeze in 2020, and when the market recovered in 2021, we increased our hiring in 2021 to capture the market opportunities. Our sales headcounts remained relatively stable for the year ended 31 December 2022, then increased for the six months ended 30 June 2023, as the market gradually recovered. As at 31 December 2020, 2021, 2022 and 30 June 2023, the number of sales headcounts for our self-operated sales outlets was 336, 495, 472 and 624, respectively.

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Our sales of automobile under finance lease from self-operated sales outlets increased by RMB431.9 million or 125.4% from RMB344.4 million for the year ended 31 December 2020 to RMB776.3 million for the year ended 31 December 2021. Such increase was attributable to the increase in the number of new automobiles sold under finance lease through our self-operate sales outlets from 3,706 units for the year ended 31 December 2020 to 7,360 units for the year ended 31 December 2021, primarily due to the strong recovery from the significant adverse effects caused by the outbreak of COVID-19 in the PRC in 2020 that led to (i) the demand of new automobiles under finance lease reduced during the year ended 31 December 2020; and (ii) the temporary diversion of sales focus to the finance lease of our repossessed automobiles during the period from February 2020 to July 2020 to better manage our inventory level and minimise non-performing assets as there was a significant increase in the number of terminated contracts during the aforesaid period.

Our sales of automobile under finance lease from self-operated sales outlets decreased by RMB45.1 million or 5.8% from RMB776.3 million for the year ended 31 December 2021 to RMB732.2 million for the year ended 31 December 2022, mainly due to the impact on our in-store operation in various cities of the PRC brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts of the PRC in 2022.

Our sales of automobile under finance lease from self-operated sales outlets increased by RMB54.5 million or 16.6% from RMB328.7 million for the six months ended 30 June 2022 to RMB383.2 million for the six months ended 30 June 2023, mainly due to the recovery from the adverse impact of COVID-19 in the PRC in 2022, our increased sales and marketing efforts and the opening of new self-operated sales outlets to grow our business.

We had 66, 65, 68 and 74 self-operated sales outlets as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, the majority of our sales outlets were located in tier two, and tier three and below cities. During the Track Record Period, more than one-third of our sales of automobile under finance lease were generated from sales outlets located in Eastern PRC.

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The following table sets out the breakdown of the number of new automobiles sold, number of sales outlets, sales of automobile under finance lease from self-operated sales outlets and average price of new automobiles sold by geographical location for the years/periods and dates indicated:

	As at/Year ended 31 December														
	2020					2021					2022				
	Number of new automobiles sold	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000
Eastern PRC	1,457	135,709	39.4	2,749	25	291,593	106	2,841	27	293,497	103	2,841	27	293,497	103
Southern PRC	654	60,940	17.7	1,452	9	152,993	105	1,401	10	141,739	101	1,401	10	141,739	101
Southwestern PRC	652	60,847	17.7	1,131	9	118,761	105	997	9	102,967	103	997	9	102,967	103
Central PRC	429	39,799	11.6	918	8	97,385	106	792	8	82,129	104	792	8	82,129	104
Northern PRC	332	30,717	8.9	670	5	70,068	105	559	5	58,059	104	559	5	58,059	104
Northwestern PRC	175	15,573	4.5	375	4	38,626	103	402	4	40,148	100	402	4	40,148	100
Northeastern PRC	7	860	0.2	65	5	6,873	106	127	5	12,693	100	127	5	12,693	100
<b>Total</b>	<b>3,706</b>	<b>344,445</b>	<b>100.0</b>	<b>7,360</b>	<b>65</b>	<b>776,299</b>	<b>105</b>	<b>7,119</b>	<b>68</b>	<b>731,232</b>	<b>100.0</b>	<b>7,119</b>	<b>68</b>	<b>731,232</b>	<b>100.0</b>
	As at/Six months ended 30 June														
	2022					2022					2023				
	Number of new automobiles sold	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000
Eastern PRC	1,242	135,553	41.2	1,486	30	153,166	109	1,486	30	153,166	103	1,486	30	153,166	103
Southern PRC	536	57,201	17.4	457	10	46,861	107	457	10	46,861	103	457	10	46,861	103
Southwestern PRC	438	48,207	14.7	550	9	56,598	110	550	9	56,598	103	550	9	56,598	103
Central PRC	357	39,247	11.9	457	9	47,532	110	457	9	47,532	104	457	9	47,532	104
Northern PRC	227	25,038	7.6	372	6	37,916	110	372	6	37,916	102	372	6	37,916	102
Northwestern PRC	163	17,602	5.4	303	5	30,013	108	303	5	30,013	99	303	5	30,013	99
Northeastern PRC	57	5,829	1.8	108	5	11,128	102	108	5	11,128	103	108	5	11,128	103
<b>Total</b>	<b>3,020</b>	<b>328,678</b>	<b>100.0</b>	<b>3,733</b>	<b>74</b>	<b>383,213</b>	<b>109</b>	<b>3,733</b>	<b>74</b>	<b>383,213</b>	<b>100.0</b>	<b>3,733</b>	<b>74</b>	<b>383,213</b>	<b>100.0</b>



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Our sales of automobile under finance lease from self-operated sales outlets in most provinces of the PRC increased for the year ended 31 December 2021 as compared to the year ended 31 December 2020, primarily owing to the recovery from the significant adverse effects caused by the outbreak of COVID-19 in the PRC in 2020 that led to (i) the demand of new automobiles under finance lease reduced during the year ended 31 December 2020; and (ii) the temporary diversion of sales focus to the finance lease of our repossessed automobiles during the period from February 2020 to July 2020 to better manage our inventory level and minimise non-performing assets as there was a significant increase in the number of terminated contracts during the aforesaid period.

Our sales of automobile under finance lease from self-operated sales outlets decreased for the year ended 31 December 2022 as compared to the year ended 31 December 2021, primarily due to the impact on our in-store operation in various cities in the PRC brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts in the PRC in 2022.

Our sales of automobile under finance lease from self-operated sales outlets increased for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022, primarily due to the recovery from the adverse impact of COVID-19 in the PRC in 2022, our increased sales and marketing efforts and the opening of new self-operated sales outlets to grow our business.

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The following table sets out the breakdown of the number of new automobiles sold, number of sales outlets, sales of automobile under finance lease from self-operated sales outlets and average price of new automobiles sold by city tier for the years/ periods and dates indicated:

	As at/Year ended 31 December												
	2020				2021				2022				
	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	
Tier one city	—	1	—	—	—	—	—	—	10	1	994	0.1	99
Tier two cities	3,212	30	297,737	93	6,425	32	678,178	87.4	6,008	33	619,084	84.7	103
Tier three and below cities	494	35	46,708	95	935	33	98,121	12.6	1,101	34	111,154	15.2	101
<b>Total</b>	<b>3,706</b>	<b>66</b>	<b>344,445</b>	<b>93</b>	<b>7,360</b>	<b>65</b>	<b>776,299</b>	<b>100.0</b>	<b>7,119</b>	<b>68</b>	<b>731,232</b>	<b>100.0</b>	<b>103</b>

  

	As at/Six months ended 30 June												
	2022				2023								
	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets RMB'000	Average price of new automobiles sold RMB'000	
Tier one city	—	—	—	—	—	—	—	—	—	1	—	—	—
Tier two cities	2,639	32	288,467	109	3,197	34	327,289	85.4	3,197	34	327,289	85.4	102
Tier three and below cities	381	33	40,211	106	536	39	55,924	14.6	536	39	55,924	14.6	104
<b>Total</b>	<b>3,020</b>	<b>65</b>	<b>328,678</b>	<b>109</b>	<b>3,733</b>	<b>74</b>	<b>383,213</b>	<b>100.0</b>	<b>3,733</b>	<b>74</b>	<b>383,213</b>	<b>100.0</b>	<b>103</b>

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We had one self-operated sales outlet in Guangzhou, which we re-purposed and engaged in automobile finance lease and operating lease business in 2020 and did not generate any revenue from sales of automobile under finance lease for the year ended 31 December 2020 and 2021. In late 2022, we expanded our Guangzhou branch office to a self-operated sales outlet which focused on automobile retail and finance and operating lease of e-hailing vehicles.

Our revenue from sales of automobile under finance lease generated from a self-operated sales outlet located in a tier one city was nil, nil, RMB1.0 million and nil for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, accounted for nil, nil, 0.1% and nil of our sales of automobile under finance lease generated from self-operated sales outlets for the corresponding year/period. As at 31 December 2020, 2021, 2022 and 30 June 2023, the number of our self-operated sales outlet in tier one city was one, nil, one and one, respectively.

Our revenue from sales of automobile under finance lease generated from self-operated sales outlets located in tier two cities was RMB297.7 million, RMB678.2 million, RMB619.1 million and RMB327.3 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, accounted for 86.4%, 87.4%, 84.7% and 85.4%, respectively, of our revenue from sales of automobile under finance lease generated from self-operated sales outlets for the corresponding year/period. As at 31 December 2020, 2021, 2022 and 30 June 2023, the number of our self-operated sales outlets in tier two cities was 30, 32, 33 and 34, respectively.

Our revenue from sales of automobile under finance lease generated from self-operated sales outlets located in tier three and below cities was RMB46.7 million, RMB98.1 million, RMB111.2 million and RMB55.9 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, accounted for 13.6%, 12.6%, 15.2% and 14.6%, respectively, of our revenue from sales of automobile under finance lease generated from self-operated sales outlets for the corresponding year/period. As at 31 December 2020, 2021, 2022 and 30 June 2023, the number of our self-operated sales outlets in tier three and below cities was 35, 33, 34 and 39, respectively.

### Automobile agents

Our revenue from sales of automobile under finance lease through our automobile agents were RMB18.5 million, RMB1.6 million, RMB3.4 million and RMB1.5 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, accounted for 5.1%, 0.2%, 0.5% and 0.4% of total revenue generated from sales of automobile under finance lease for the corresponding year/period, respectively. The lower contribution of our sales of automobile under finance lease through our automobile agents for the years ended 31 December 2021 and 2022 as compared to the year ended 31 December 2020, and the six months ended 30 June 2023 as compared to the six months ended 30 June 2022, was mainly because we reduced the number of automobile agents to promote passenger vehicles in 2021, due to the higher non-performing asset ratio on the sales of automobile under finance lease through our automobile agents as compared to that through our self-operated sales outlets as at the end of 2020. In 2021, we ceased working with any

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automobile agent to promote our passenger vehicles for our automobile retail and finance business. We continue to engage third party agents to promote our e-hailing vehicles for our automobile retail and finance business.

### *Finance lease income*

Our finance lease income represents income arising from the provision of finance lease services primarily to individual customers for acquisition of new automobiles under finance lease and repossessed automobiles under finance lease. For our repossessed automobiles sold under finance lease, we only recognise finance lease income as revenue from sales of automobile under finance lease in respect of such vehicles had been recognised when such automobiles were first sold as brand new automobiles. Occasionally, depending on the availability of our resources, we may also provide automobile sale-leaseback service to business-end customers in respect of automobiles in batches to generate finance lease income. Our finance lease income amounted to RMB234.7 million, RMB234.6 million, RMB262.5 million and RMB148.2 million, accounted for 31.3%, 20.0%, 23.0% and 24.7% of our total revenue for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

Our finance lease income depends on the interest rate of the outstanding finance lease agreements and the outstanding principal amount of the finance lease agreements during the period. For the purpose of illustrating the impacts of the two factors on our finance lease income, the average of average effective interest rate charged (calculated by the sum of the average effective interest rate of finance lease agreements as at 1 January and 31 December divided by two) and the average total principal amount of finance lease agreements (calculated by the sum of the total principal amount as at 1 January and 31 December divided by two) are used in the below analysis.

Our Directors do not regard our Group generating revenue from sales of automobile under finance lease for finance leasing of repossessed automobiles, as (i) the finance lease of the repossessed automobiles is seen as one of the primary methods to recover the value of the outstanding finance lease receivables from the terminated contracts; (ii) we apply the accounting policy for manufacturer or dealer lessor to the finance lease of new automobiles, however, in the finance lease of repossessed automobiles, we did not identify a profit attributable to activities similar to a dealer; and (iii) we price the finance lease contracts of the repossessed automobiles based on a target interest rate. The pricing only represented the finance income our management required to earn. We determine that manufacturer or dealer lessor accounting rules under IFRS 16 para 71 is not applicable to the finance lease of repossessed automobiles. Accordingly, no sales revenue of finance lease of repossessed automobile is generated.

Under automobile finance lease income, we recorded other fee-related income such as late penalties and early termination fee, which 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 during the Track Record Period, respectively.

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Our finance lease income remained relatively stable at RMB234.7 million and RMB234.6 million for the year ended 31 December 2020 and 2021, respectively, which was primarily attributable to the combined effect of (i) the increase by 13.6% in the average total principal amount of finance lease agreements for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020; and (ii) the completion of certain of relatively higher average yield finance lease agreements, which were entered into prior to 2019 and generally had a term ranging from two to four years and led to the further decrease in the average of effective interest rate charged for finance lease agreements from 23.6% for the year ended 31 December 2020 to 21.1% for the year ended 31 December 2021.

Our finance lease income increased from RMB234.6 million for the year ended 31 December 2021 to RMB262.5 million for the year ended 31 December 2022, primarily due to (i) the increase by 20.4% in the average total principal amount of finance lease agreements for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021; and partially offset by (ii) the decrease in the average effective interest rate charged for finance lease agreements from 21.1% for the year ended 31 December 2021 to 19.6% for the year ended 31 December 2022.

Our finance lease income increased from RMB131.1 million for the six months ended 30 June 2022 to RMB148.2 million for the six months ended 30 June 2023, primarily due to the increase in the average total principal amount of finance lease agreements by 15.5% for the six months ended 30 June 2023 as compared to that for the six months ended 30 June 2022.

Please refer to the section headed “Business — Our Business Model and Operation — (A) Automobile retail and finance” for details about the movement in the number of finance lease agreements, principal amount and average effective interest rate charged for finance lease agreements during the Track Record Period.

### *Automobile-related businesses*

Our automobile-related businesses consist of (i) automobile operating lease; and (ii) other automobile-related income. Our revenue generated from automobile-related businesses amounted to RMB152.1 million, RMB158.8 million, RMB144.4 million and RMB68.1 million, representing 20.3%, 13.6%, 12.6% and 11.3% of our total revenue for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.



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### *Automobile operating lease*

Our automobile operating lease business principally involves: (i) e-hailing operating lease; (ii) new energy car-sharing lease, where we offer new energy vehicles on short-term lease; and (iii) other operating lease. The following table sets out a breakdown of our revenue from automobile operating lease for the years/periods indicated:

	2020		Year ended 31 December				Six months ended 30 June			
	RMB'000	%	2021		2022		2022		2023	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
E-hailing operating lease	116,599	87.9	132,846	92.1	115,930	92.0	64,443	93.1	52,833	86.0
New energy car-sharing	5,166	3.9	3,959	2.7	791	0.6	749	1.0	—	—
Other operating lease	10,841	8.2	7,358	5.2	9,297	7.4	4,055	5.9	8,600	14.0
Total	<u>132,606</u>	<u>100.0</u>	<u>144,163</u>	<u>100.0</u>	<u>126,018</u>	<u>100.0</u>	<u>69,247</u>	<u>100.0</u>	<u>61,433</u>	<u>100.0</u>

For our e-hailing operating lease business, we lease e-hailing vehicles to our customers in return for periodic rental payments. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our revenue from e-hailing operating lease amounted to RMB116.6 million, RMB132.8 million, RMB115.9 million and RMB52.8 million, accounted for 87.9%, 92.1%, 92.0% and 86.0% of our total revenue from automobile operating lease for the corresponding year/period, respectively. The average occupancy rate for e-hailing vehicles under operating lease was 78.8%, 90.7%, 85.0% and 69.8% for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

In 2018, we started to provide car-sharing services where we offered new energy automobiles to individual users with shorter lease term, principally priced and charged by minute and/or distance travelled with greater flexibility. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our revenue generated from new energy car-sharing business was RMB5.2 million, RMB4.0 million, RMB0.8 million and nil, accounted for 3.9%, 2.7%, 0.6% and nil of our total revenue from automobile operating lease for the corresponding year/period, respectively.

For our other operating lease business, we lease automobiles to our customers upon customers' request in return for periodic rental payments. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our revenue from other operating lease amounted to RMB10.8 million, RMB7.4 million, RMB9.3 million and RMB8.6 million, accounted for 8.2%, 5.2%, 7.4% and 14.0% of our total revenue from automobile operating lease for the corresponding year/period, respectively.

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The table below sets out the number of automobiles under our operating lease as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
E-hailing operating lease	3,930	4,114	4,122	5,058
New energy car-sharing	326	325	—	—
Other operating lease	<u>604</u>	<u>561</u>	<u>1,101</u>	<u>1,561</u>
<b>Total</b>	<u><u>4,860</u></u>	<u><u>5,000</u></u>	<u><u>5,223</u></u>	<u><u>6,619</u></u>

The table below sets out the number of e-hailing vehicles switched from e-hailing operating lease to finance lease, and the average number of e-hailing vehicles under e-hailing operating lease for the years/period indicated:

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
Switched from e-hailing operating lease to retail and finance	5	—	1,121	483
The average number automobiles under e-hailing operating lease	<u>3,325</u>	<u>4,072</u>	<u>3,877</u>	<u>4,252</u>

As at 31 December 2020, 2021, 2022 and 30 June 2023, we had 4,860, 5,000, 5,223 and 6,619 automobiles in our operating lease, respectively.

For our e-hailing operating lease business, we had 3,930, 4,114, 4,122 and 5,058 automobiles, respectively, as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. We increased the number of automobiles for e-hailing operating lease from 3,930 units as at 31 December 2020 to 4,114 units as at 31 December 2021 to expand our e-hailing operating lease, then maintained the number of e-hailing operating lease automobiles relatively stable as at 31 December 2022. We further increased the number of automobiles for our e-hailing operating lease to 5,058 units as at 30 June 2023 to grow our e-hailing operating lease business.

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We provide options for our customers to switch the e-hailing vehicles from e-hailing operating lease to e-hailing under finance lease. Such flexibility in our service options can satisfy customers who have financing needs. For the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the number of e-hailing vehicles switched from e-hailing operating lease to e-hailing under finance lease as required by our customers was 5 units, nil and 1,121 units, and 483 units, respectively. The significant increases in the number of e-hailing vehicles switched from operating lease to finance lease for the year ended 31 December 2022 and the six months ended 30 June 2023 were mainly due to the demand from our customers as (i) for certain customers who plan to engage in e-hailing business for a longer term, the total payment of purchasing an e-hailing vehicle under finance lease is lower than the total payment of leasing an e-hailing vehicle through operating lease, and (ii) in certain case, leasing of e-hailing vehicles by way of finance lease require a lower monthly lease payment as compared to operating lease. Therefore, purchasing our e-hailing vehicles under finance lease is commercially more appealing to such customers especially our customers may take ownership of the e-hailing vehicles at the end of finance lease term, whereas for operating lease, our customers will have to return the e-hailing vehicles at the end of the lease term.

The average number of e-hailing automobiles under operating lease for the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023 was 3,325 units, 4,072 units and 3,877 units, and 4,252 units, respectively. The decrease in the average number of e-hailing vehicles under e-hailing operating lease for the year ended 31 December 2022, was mainly due to the switch of 1,121 units of e-hailing vehicles from e-hailing operating lease to e-hailing under finance lease during the year ended 31 December 2022 to meet our customers’ demand and we purchased 897 e-hailing operating lease vehicles in November and December 2022. The increase in the average number of e-hailing vehicles under e-hailing operating lease for the six months ended 30 June 2023 was mainly due to our expansion in our e-hailing operating lease business during the period.

For our new energy car-sharing business, we had 326, 325, nil and nil automobiles, respectively, as at 31 December 2020, 2021, 2022 and 30 June 2023. We maintained the number of automobiles allocated to new energy car-sharing relatively stable as at 31 December 2020 and 2021, which then decreased to nil as at 31 December 2022, as we intended to focus and allocate our resources on expanding our automobile retail and finance business, and e-hailing operating lease business, hence we suspended Go Ziyou APP service for our new energy car-sharing business in July 2022. By the end of 2022, all our new energy car-sharing automobiles had been disposed of or reallocated to our automobile retail and finance business.

For our other operating lease business, we had 604, 561, 1,101 and 1,561 automobiles, respectively, as at 31 December 2020, 2021, 2022 and 30 June 2023. We maintained the number of automobiles in our other operating lease business relatively stable as at 31 December 2020 and 2021, which then increased to 1,101 units and 1,561 units as at 31 December 2022 and 30 June 2023, mainly due to our efforts in developing our other operating lease business as COVID-19 control measures had been lifted in late 2022, which eased travel restrictions.

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### *Other automobile-related income*

For our other automobile-related income, we mainly promote our business-end customers’ insurance service and automobile after-market service to our car-user customers, in return we receive service fees from our business-end customers for such services we provided. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our revenue generated from the auto-insurance promotion service was RMB17.5 million, RMB12.3 million, RMB12.5 million and RMB4.6 million, respectively. We also assist our car-user customers who look for automobile aftermarket usage solutions through our 52 Car APP to cater their various needs during the automobile usage stage. We do not charge our car-user customers or business-end users for downloading or using our 52 Car APP and 52 Car (Business Version) APP. Instead, we receive service fees from our business-end users based on the agreed percentage typically ranging from 5% to 15% of the transaction value of automobile repair orders through our 52 Car App from our car-user customers. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our revenue generated from the services we provided to the third party automobile aftermarket service providers was RMB1.5 million, RMB1.6 million, RMB1.7 million and RMB0.8 million, respectively.

### **Cost of revenue**

Our cost of revenue mainly included (i) cost of inventories; (ii) depreciation expenses; (iii) auto-insurance premium; and (iv) employee benefit expenses. The following table sets out a breakdown of our cost of revenue for the years/periods indicated:

	2020		Year ended 31 December				Six months ended 30 June			
	RMB'000	%	2021		2022		2022		2023	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Cost of inventories	305,900	68.6	633,364	78.2	595,601	77.6	268,547	76.1	312,293	77.4
Depreciation expenses	70,288	15.8	88,192	10.9	83,356	10.9	45,026	12.8	43,517	10.8
Auto-insurance premium	40,153	9.0	35,923	4.4	37,356	4.9	17,479	5.0	21,996	5.4
Employee benefit expenses	15,200	3.4	30,759	3.8	31,284	4.1	11,876	3.4	15,718	3.9
Provision for inventories	2,876	0.6	7,674	0.9	6,886	0.9	3,499	1.0	3,774	0.9
Motor vehicle expenses	5,509	1.3	7,265	1.0	7,101	0.9	3,466	1.0	4,005	1.0
Transportation expenses	3,217	0.7	4,027	0.5	3,648	0.5	1,702	0.5	2,139	0.5
Amortisation expenses	1,992	0.4	2,229	0.3	1,653	0.2	1,098	0.3	217	0.1
Sales commission to automobile agents	1,028	0.2	75	—	194	—	130	—	49	—
<b>Total</b>	<b>446,163</b>	<b>100.0</b>	<b>809,506</b>	<b>100.0</b>	<b>767,079</b>	<b>100.0</b>	<b>352,824</b>	<b>100.0</b>	<b>403,710</b>	<b>100.0</b>

Note: “—” represents percentage less than 0.1%.

Our cost of inventories is the value of our new automobiles sold on finance lease. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our cost of inventories amounted to RMB305.9 million, RMB633.4 million, RMB595.6 million and RMB312.3 million, representing 68.6%, 78.2%, 77.6% and 77.4% of our total cost of revenue and 84.3%, 81.4%, 81.1% and 81.2% of our revenue generated from sales of automobile under finance lease for the corresponding year/period, respectively. Our increased cost of inventories for the year ended 31 December 2021 was primarily due to the recovery of our automobile retail and finance business from the adverse impact of COVID-19 in the PRC in 2020, resulting in higher sales of automobile under finance lease for the year ended 31 December

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2021, as compared to the year ended 31 December 2020. Our cost of inventories decreased for the year ended 31 December 2022, as compared to the year ended 31 December 2021, primarily due to the decrease in our sales of automobile under finance lease for the year ended 31 December 2022 mainly due to the impact on our in-store operation in various cities in the PRC brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts in the PRC in 2022, which decreased the demand for new automobile purchases in certain regions in the PRC for the year ended 31 December 2022. Our increased cost of inventories for the six months ended 30 June 2023 was in line with the growth in automobile retail and finance business.

Our cost of inventories to our revenue generated from sales of automobiles under finance lease remained relatively stable at 81.4%, 81.1% and 81.2% for the years ended 31 December 2021, 2022 and the six months ended 30 June 2023, respectively.

As cost of inventories was the largest component of our cost of revenue, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of inventories on our profit before tax during the Track Record Period. Fluctuations in our cost of inventories are assumed to be 5% and 10% by reference to the historical fluctuations during the Track Record Period, with other variables remained constant:

	<b>Changes in cost of inventories</b>	
	<b>+/- 5%</b>	<b>+/- 10%</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b><i>Decrease/increase in profit before tax</i></b>		
Year ended 31 December 2020	-/+ 15,295	-/+ 30,590
Year ended 31 December 2021	-/+ 31,668	-/+ 63,336
Year ended 31 December 2022	-/+ 29,780	-/+ 59,560
Six months ended 30 June 2023	-/+ 15,615	-/+ 31,229

Our depreciation expenses mainly represent the depreciation charge of our vehicles for our automobile operating lease business. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our depreciation expenses amounted to RMB70.3 million, RMB88.2 million, RMB83.4 million and RMB43.5 million, representing 15.8%, 10.9%, 10.9% and 10.8% of our total cost of revenue and 53.0%, 61.2%, 66.1% and 70.8% of our revenue generated from automobile operating lease for the corresponding year/period, respectively. The increase in the amount of depreciation expenses for the year ended 31 December 2021, as compared to the year ended 31 December 2020 was primarily due to the average number of our operating lease vehicles increased from 3,885 units for the year ended 31 December 2020 to 4,873 units for the year ended 31 December 2021. For the year ended 31 December 2022, our depreciation expenses decreased to RMB83.4 million, mainly due to the average number of our operating lease vehicles decreased from 4,873 units for the year ended 31 December 2021 to 4,676 units for the year ended 31 December 2022. Our depreciation expenses decreased from RMB45.0 million for the six months ended 30 June 2022 to RMB43.5 million for the six months ended 30 June 2023, mainly due to the higher portion of new automobile purchases were recognised in the second quarter of 2023 as compared to the six months ended 30 June 2022.

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During the Track Record Period, we bore the insurance cost for the period after procuring automobiles inventories and before selling the automobiles to customers. For the majority of sales of automobile under finance lease, we required our customers to purchase the compulsory traffic accident liability insurance and commercial insurance throughout the lease term. For a small portion of automobiles sold under finance lease, we arranged the insurance for the first year typically at the option of the customers, such insurance cost was borne by us and reflected in the down payment, while the insurance cost for the remainder of lease term was borne by the customers. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our auto-insurance premium amounted to RMB40.2 million, RMB35.9 million, RMB37.4 million and RMB22.0 million, representing 9.0%, 4.4%, 4.9% and 5.4% of our total cost of revenue for the corresponding year/period, respectively. The decrease in auto-insurance premium in the year ended 31 December 2021 as compared to the year ended 31 December 2020, was mainly due to the decrease in our automobile inventory turnover days of which we bore the insurance cost for these automobile inventories as aforementioned. The increases in auto-insurance premium in the year ended 31 December 2022 and the six months ended 30 June 2023 as compared to the year ended 31 December 2021 and the six months ended 30 June 2022, respectively, was mainly due to the increase in the automobile inventories during the year/period, for which we bore the insurance cost.

Our employee benefit expenses mainly represent sales commission paid to our sales staff for the new automobiles sold under finance lease. Our employee benefit expenses amounted to RMB15.2 million, RMB30.8 million, RMB31.3 million and RMB15.7 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, representing 3.4%, 3.8%, 4.1% and 3.9% of our total cost of revenue for the corresponding year/period, respectively. The increase in our employee benefit expenses under cost of revenue for the year ended 31 December 2021, as compared to the year ended 31 December 2020, was mainly attributable to (i) the increase in our sales of automobile under finance lease; and (ii) the commission rate varies with the model of new automobiles sold. Our employee benefit expenses remained relatively stable for the year ended 31 December 2022. The increase in our employee benefit expenses under the cost of revenue for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022 was mainly attributable to the increase in our sales of automobile under finance lease.

### **Gross profit and gross profit margin**

For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our gross profit was RMB303.6 million, RMB361.8 million, RMB374.4 million and RMB197.3 million, respectively, while our gross profit margin was 40.5%, 30.9%, 32.8% and 32.8% for the corresponding year/period, respectively.



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The following table sets out our gross profit and gross profit margin by revenue stream for the years/periods indicated:

	2020		Year ended 31 December 2021		2022		Six months ended 30 June 2022		Six months ended 30 June 2023	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000 (unaudited)	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
<b>Automobile retail and finance</b>	<b>257,905</b>	<b>43.2</b>	<b>328,527</b>	<b>32.4</b>	<b>340,910</b>	<b>34.2</b>	<b>170,746</b>	<b>36.9</b>	<b>184,637</b>	<b>34.6</b>
<b>Automobile-related businesses</b>										
Automobile operating lease										
— e-hailing operating lease	23,438	20.1	25,665	19.3	20,715	17.9	11,952	18.5	9,295	17.6
— New energy car-sharing	(1,170)	(22.7)	(4,061)	(102.6)	(1,555)	(196.6)	(1,377)	(183.7)	—	—
— Other operating lease	5,639	52.0	(2,361)	(32.1)	(2,586)	(27.8)	(2,031)	(50.1)	(2,611)	(30.4)
— Other automobile-related income	17,786	91.1	13,986	95.3	16,963	92.1	6,024	88.8	5,971	89.6
<b>Sub-total</b>	<b>45,693</b>	<b>30.0</b>	<b>33,229</b>	<b>20.9</b>	<b>33,537</b>	<b>23.2</b>	<b>14,568</b>	<b>19.2</b>	<b>12,654</b>	<b>18.6</b>
<b>Total</b>	<b>303,598</b>	<b>40.5</b>	<b>361,756</b>	<b>30.9</b>	<b>374,447</b>	<b>32.8</b>	<b>185,314</b>	<b>34.4</b>	<b>197,290</b>	<b>32.8</b>

### *Automobile retail and finance*

Our gross profit in relation to our automobile retail and finance business amounted to RMB257.9 million, RMB328.5 million, RMB340.9 million and RMB184.6 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, accounted for 84.9%, 90.8%, 91.0% and 93.6% of our total gross profit for the corresponding year/period, respectively.

Other than the year ended 31 December 2020, our gross profit margin of our automobile retail and finance segment remained relatively stable during the Track Record Period. The higher gross profit margin for the year ended 31 December 2020 as compared to the years ended 31 December 2021 and 2022, was primarily due to the decreased sales of automobile as a result of the impact of the outbreak of COVID-19 in the PRC in 2020, hence the proportional contribution from our sales of automobile for the year ended 31 December 2020 was lower than the years ended 31 December 2021 and 2022. Our cost of revenue principally included cost of inventories, which is the value of our new automobiles sold on finance lease. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our cost of inventories represented 84.3%, 81.4%, 81.1% and 81.2% of our revenue generated from sales of automobile under finance lease. As gross profit margin of sales of automobile under finance lease was lower than that of finance lease income, the change in revenue mix led to the fluctuation of our gross margin for automobile retail and finance segment during the Track Record Period.

### *Automobile-related businesses*

#### *E-hailing operating lease*

The gross profit from our e-hailing operating lease business amounted to RMB23.4 million, RMB25.7 million, RMB20.7 million and RMB9.3 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our gross

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profit from our e-hailing operating lease business increased from RMB23.4 million for the year ended 31 December 2020 to RMB25.7 million for the year ended 31 December 2021 was mainly due to the increase in revenue from e-hailing operating lease primarily resulted from the increase in the average occupancy rate for e-hailing vehicles under operating lease from 78.8% for the year ended 31 December 2020 to 90.7% for the year ended 31 December 2021. The gross profit from our e-hailing operating lease business decreased to RMB20.7 million for the year ended 31 December 2022 primarily attribute to the decrease in revenue from our e-hailing operating lease business resulted from the decrease in the average occupancy rate for e-hailing vehicles under operating lease from 90.7% for the year ended 31 December 2021 to 85.0% for the year ended 31 December 2022. The gross profit from our e-hailing operating lease business decreased from RMB12.0 million for the six months ended 30 June 2022 to RMB9.3 million for the six months ended 30 June 2023, mainly due to (i) the decrease in the average occupancy rate for e-hailing vehicles under operating lease from 88.3% to 69.8% for the corresponding period, mainly due to the expansion of our e-hailing automobile fleet and the 1,462 units of e-hailing vehicles newly purchased during the six months ended 30 June 2023, which had not completed the automobile registration and, hence, were not leased fully during the period; and (ii) the decrease in revenue from our e-hailing operating lease business resulted from the decrease in the average number of automobiles available for lease as we switched 483 units e-hailing vehicles from operating lease to finance lease during the six months ended 30 June 2023.

The gross profit margin of our e-hailing operating lease business was 20.1%, 19.3%, 17.9% and 17.6%, respectively, during the Track Record Period. The gross profit margin of our e-hailing operating lease remained relatively stable at 20.1% and 19.3% for the years ended 31 December 2020 and 2021, respectively. The gross profit margin of our e-hailing operating lease business decreased to 17.9% for the year ended 31 December 2022, which was mainly due to the rate of decrease in our revenue from our e-hailing operating lease business was higher than the rate of decrease in the relevant cost for our e-hailing operating lease business, which was mainly depreciation charges. The decrease in revenue from our e-hailing operating lease business for the year ended 31 December 2022 as compared to the year ended 31 December 2021, was mainly attributable to (i) the decrease in the average occupancy rate from 90.7% to 85.0% for our e-hailing vehicles under operating lease for the corresponding year, due to the impact of the regional outbreaks of COVID-19 variants in the PRC in 2022; and (ii) the decrease in the average number of e-hailing vehicles from 4,072 units for the year ended 31 December 2021 to 3,877 units for the year ended 31 December 2022, as we switched 1,121 e-hailing vehicles from e-hailing operating lease to e-hailing under finance lease, which was driven by more e-hailing customers selected our e-hailing under finance lease service in 2022. The gross profit margin of our e-hailing operating lease business decreased from 18.5% for the six months ended 30 June 2022 to 7.6% for the six months ended 30 June 2023, mainly due to (i) the decrease in the average occupancy rate for e-hailing vehicles under operating lease from 88.3% to 69.8% for the corresponding period, mainly due to the expansion of our e-hailing automobile fleet and the 1,462 units of e-hailing vehicles newly purchased during the six months ended 30 June 2023, which had not completed the automobile registration and, hence, were not leased fully during the period; and (ii) the decrease in revenue from our e-hailing operating lease business resulted from the decrease in the average number of automobiles available for lease as we switched 483 units e-hailing vehicles from operating lease to finance lease during the six months ended 30 June 2023.

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### *New energy car-sharing*

We recorded gross loss for our new-energy car sharing business during the Track Record Period, amounted to RMB1.2 million, RMB4.1 million, RMB1.6 million and nil for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our gross loss for the new energy car-sharing business during the Track Record Period was mainly due to (i) the decrease in our revenue generated from our new energy car-sharing as we gradually shifted our focus on e-hailing operating lease; and (ii) the depreciation expenses of the automobiles used for our new-energy car sharing incurred during the Track Record Period.

We suspended our new energy car-sharing business in July 2022. By the end of 2022, our new energy car-sharing automobiles had been disposed of or transferred to our automobile retail and finance business.

### *Other operating lease*

The gross profit from our other operating lease business amounted to RMB5.6 million for the year ended 31 December 2020. For the years ended 31 December 2021, 2022 and the six months ended 30 June 2023, we recorded gross loss from other operating lease, amounted to RMB2.4 million, RMB2.6 million and RMB2.6 million, respectively. Such gross loss was mainly due to (i) the overall decrease in our revenue generated from other operating lease as we gradually shifted our focus to e-hailing operating lease; and (ii) the depreciation expenses of the automobiles for other operating lease incurred during the Track Record Period.

### *Other automobile-related income*

The gross profit of our other automobile-related income decreased from RMB17.8 million for the year ended 31 December 2020 to RMB14.0 million for the year ended 31 December 2021, which was mainly due to the decrease in revenue from our other automobile-related income. Our gross profit increased to RMB17.0 million for the year ended 31 December 2022, which was mainly attributable to the increase in revenue from our other automobile-related services in 2022. The gross profit of our other automobile-related income remained relatively stable at RMB6.0 million for the six months ended 30 June 2023, as compared to the six months ended 30 June 2022.

The gross profit margin of our other automobile-related income was 91.1%, 95.3%, 92.1% and 89.6%, respectively, during the Track Record Period. The increase in the gross profit margin of our other automobile-related income from 91.1% for the year ended 31 December 2020 to 95.3% for the year ended 31 December 2021, was primarily due to the decrease in amortisation expenses attributable to other automobile-related services incurred for the year ended 31 December 2021. The decrease in the gross profit margin of our other automobile-related income from 95.3% for the year ended 31 December 2021 to 92.1% for the year ended 31 December 2022 was mainly due to the increase in amortisation expenses attributable to other automobile-related services for the year ended 31 December 2022. The

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gross profit margin of our other automobile-related income remained relatively stable at 89.6% for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022.

### Net interest margin and net interest spread

The following table sets out the key financial indicators such as our finance lease income, cost of funding, net interest income, net interest spread and net interest margins, average effective interest rate charged for newly entered finance lease agreements, and weighted average effective interest rate of borrowings for the years/period indicated:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	<i>(RMB'000, except for percentage)</i>			
Finance lease income	234,705	234,561	262,498	148,191
Cost of funding	<u>(98,682)</u>	<u>(108,831)</u>	<u>(131,381)</u>	<u>(76,001)</u>
Net interest income	<u>136,023</u>	<u>125,730</u>	<u>131,117</u>	<u>72,190</u>
Average balance of finance lease receivables <sup>(Note 1)</sup>	1,052,541	1,149,328	1,383,649	1,497,559
Average balance of borrowings <sup>(Note 2)</sup>	1,230,067	1,269,390	1,548,119	1,785,637
Average yield of finance lease receivables <sup>(Note 3)</sup>	22.3%	20.4%	19.0%	19.8%
Average cost of borrowings <sup>(Note 4)</sup>	8.0%	8.6%	8.5%	8.5%
Net interest spread <sup>(Note 5)</sup>	14.3%	11.8%	10.5%	11.3%
Net interest margin <sup>(Note 6)</sup>	12.9%	10.9%	9.5%	9.6%
Average effective interest rate charged for newly entered finance lease agreements <sup>(Note 7)</sup>	20.5%	19.4%	18.5%	18.7%
Weighted average effective interest rate of borrowings <sup>(Note 8)</sup>	8.5%	8.5%	8.6%	8.5%

*Notes:*

- (1) Average balance of finance lease receivables is calculated as the sum of the beginning and the ending balance of finance lease receivables for the relevant year/period divided by two.
- (2) Average balance of borrowings is calculated as the sum of the beginning and the ending balance for the relevant year/period divided by two.
- (3) Calculated by dividing finance lease income for the relevant year/period by the average balance of finance lease receivables.

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- (4) Calculated by dividing cost of funding for the relevant year/period by the average balance of borrowings.
- (5) Calculated as the difference between the average yield of finance lease receivables and the average cost of borrowings for the relevant year/period.
- (6) Calculated by dividing net interest income for the relevant year/period by the average balance of finance lease receivables.
- (7) Calculated by dividing sum of effective interest rate of newly entered finance lease agreements by the total number of newly entered finance lease agreements entered for the relevant year/period.
- (8) Calculated by multiplying the effective interest rate of each borrowing by the corresponding ending balance and dividing by the total ending balance of the borrowings as at each year/period end.

Our average effective interest rate charged for newly entered finance lease agreements remained relatively stable for the years ended 31 December 2020 and 2021 and decreased to 18.5% for the year ended 31 December 2022, which was primarily attributable to the lower contribution of newly entered finance lease agreements for new automobiles to the total newly entered finance lease agreements for the year ended 31 December 2022 as compared to the year ended 31 December 2021, which generally had higher average effective interest rate during the Track Record Period. Our average effective interest rate charged for newly entered finance lease agreements increased to 18.7% for the six months ended 30 June 2023, mainly due to the higher contribution of newly entered finance lease agreements for new automobiles for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022.

Our average yield of finance lease receivables was 22.3%, 20.4%, 19.0% and 19.8% for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The decrease in the average yield of finance lease receivables during the years ended 31 December 2020, 2021 and 2022 was primarily due to the completion of relatively higher average yield finance lease agreements entered into prior to 2019 which generally had a term ranging from two to four years. According to CIC, the industry average yield of interest-earning assets before 2019 was relatively higher than during the Track Record Period due to higher average effective interest rate per annum charged by RAFLCs prior to 2019. We enjoyed first-mover advantage by operating finance lease business since 2012 ahead of other major third-party RAFLCs. The competition in the RAFLC market in China intensified during 2018 and 2019 with some internet-backed RAFLCs adopted competitive pricing in order to win more customers, and it was followed by more RAFLCs in order to sustain market share, leading to a downward adjustment of the industry range of the average effective interest rate per annum for finance lease agreements in 2018 and 2019. Our new automobiles have been sold on finance lease generally with a term of two to four years. As such, our sales of automobile under finance lease entered into prior to 2019 with higher average effective interest rate will last through the subsequent two to four years. While we also entered into new sales of automobile under finance lease with lower average effective interest rate subsequent to 2019, hence our average yield of interest-earning assets was lower than prior to 2019. According to CIC, we were able to charge higher average interest rates for the finance lease agreements than other RAFLCs, because of our flexible product offerings, strong offline capability and developed risk management system to



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expand customer reach and control asset quality. According to CIC, there was no major issue which may exert significant downward pressure on effective interest rates charged by industry players as at the Latest Practicable Date. Lower effective interest rates of automobile 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. However, the greater market acceptance of automobile finance lease services in the PRC can potentially offset the aforesaid impacts, if any. The average yield of our finance lease receivables increased slightly from 19.0% for the year ended 31 December 2022 to 19.8% for the six months ended 30 June 2023.

Our average cost of borrowings was 8.0%, 8.6%, 8.5% and 8.5% for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our average cost of borrowings increased from 8.0% for the year ended 31 December 2020 to 8.6% for the year ended 31 December 2021, primarily owing to the fact that the increase in the average balance of borrowings (calculated by the sum of the beginning balance and the ending balance divided by two) by RMB39.3 million or 3.2% from RMB1,230.1 million for the year ended 31 December 2020 to RMB1,269.4 million for the year ended 31 December 2021, while the cost of funding increased by RMB10.1 million or 10.3% from RMB98.7 million for the year ended 31 December 2020 to RMB108.8 million for the year ended 31 December 2021. Our average cost of borrowings remained relatively stable at 8.5% for the year ended 31 December 2022 and 8.5% for the six months ended 30 June 2023.

The net interest spread decreased from 14.3% for the year ended 31 December 2020 to 11.8% for the year ended 31 December 2021, and then remained relatively stable at 10.5% for the year ended 31 December 2022, primarily due to that the average yield of finance lease receivables decreased from 22.3% for the year ended 31 December 2020 to 20.4% for the year ended 31 December 2021, then further decreased to 19.0% for the year ended 31 December 2022, while the average cost of borrowings increased from 8.0% for the year ended 31 December 2020 to 8.6% for the year ended 31 December 2021, and then remained relatively stable at 8.5% for the year ended 31 December 2022. Our net interest spread increased to 11.3% for the six months ended 30 June 2023, primarily due to the increase in the average yield of finance lease receivables.

The net interest margin decreased from 12.9% for the year ended 31 December 2020 to 10.9% for the year ended 31 December 2021, and then further decreased to 9.5% for the year ended 31 December 2022, which was primarily due to the increase in our finance cost during the Track Record Period, driven by our increased borrowings to support our business growth. Our net interest margin remained relatively stable at 9.6% for the six months ended 30 June 2023.

Our weighted average effective interest rate of borrowings was relatively stable at 8.5%, 8.5%, 8.6% and 8.5% for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

The fluctuations in net interest spread and net interest margin were primarily due to the fluctuations in the average yield of finance lease receivables as explained above.



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### Yield of operating lease

The following table sets out the yield of our operating lease for the years/period indicated:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
Yield of operating lease	31.6%	28.9%	25.0%	21.5%

*Notes:*

1. Yield of operating lease is calculated by dividing the operating lease income during the year/period generated from operating lease assets owned by us by the average book value automobiles under property and equipment and multiplied by 100%. Average book value automobiles under property and equipment is calculated as the sum of the beginning and the ending balance of the book value of the automobiles under property and equipment for the relevant year/period divided by two.
2. The calculation excluded lease income generated from sub-operating lease of the automobiles rented by us.

Our yield of operating lease decreased from 31.6% for the year ended 31 December 2020 to 28.9% for the year ended 31 December 2021, primarily due to the significant increase in the number of e-hailing vehicles purchased for our automobile operating lease business from 3,930 units as at 31 December 2020 to 4,114 units as at 31 December 2021. Our yield of operating lease decreased to 25.0% for the year ended 31 December 2022, which was mainly due to our automobile operating lease income decreased by 12.6% for the year ended 31 December 2022 as compared to the year ended 31 December 2021; while the average book value of our automobiles under property and equipment decreased by 7.7% for the year ended 31 December 2022 as compared to the year ended 31 December 2021 as result of the decrease in the average number of our operating lease vehicles from approximately 4,900 for the year ended 31 December 2021 to approximately 4,700 for the year ended 31 December 2022. Our yield of operating lease decreased to 21.5% for the six months ended 30 June 2023, mainly due to the expansion of our e-hailing automobile fleet and the 1,462 units of e-hailing vehicles newly purchased during the period, which typically takes one to two months to complete the e-hailing registration, were not fully utilised during the six months ended 30 June 2023.

As advised by our PRC Legal Advisers, there is no specific regulation which governs the yield on operating lease business. After reviewing the relevant operating lease agreements provided by our Group, our PRC Legal Advisers are of view that the yield of operating lease of our Group during the Track Record Period did not violate any applicable PRC laws and regulations on operating lease business in the PRC.

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### Other income, net

The following table sets out a breakdown of our other income, net for the years/period indicated:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	24,395	16,676	22,638	11,499
Donation	(395)	—	(340)	—
Others	<u>(698)</u>	<u>(716)</u>	<u>(550)</u>	<u>130</u>
	<u>23,302</u>	<u>15,960</u>	<u>21,748</u>	<u>11,629</u>

Other income, net, includes (i) government grants, comprising (a) VAT related tax benefits; and (b) government subsidies; (ii) donations; and (iii) others. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, we recorded other income, net of RMB23.3 million, RMB16.0 million, RMB21.7 million and RMB11.6 million, respectively. Government grants primarily consist of the fiscal support that local governments offer to the Group entities engaged in the finance leasing business in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.

#### *(a) VAT related tax benefits*

Pursuant to the Circular on Comprehensively Promoting the Pilot Scheme of the Collection of Value-added Tax In Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”), which was implemented on 1 May 2016 and last amended and became effective on 1 April 2019, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from 1 May 2016. We have received VAT related tax benefits since 2016. According to the Circular 36, for pilot scheme taxpayers approved by PBOC, CBRC or MOFCOM to engage in finance lease business and provide finance lease services, the sales amount shall be the balance after deducting loan interest paid (including interest of foreign currency loans and Renminbi loans), interest on bonds issued and vehicle purchase tax from the total money and other charges received.

For general taxpayers among pilot scheme taxpayers approved by the PBOC, CBRC or MOFCOM to engage in finance lease, if they provide services of finance lease of tangible movables and sale-leaseback financing of tangible movables, the portion of their actual amount of VAT which exceeds 3% shall be subject to refund upon levy of the VAT. For general taxpayers among pilot scheme taxpayers approved to engage in finance lease business and sale-leaseback financing by the provincial commerce authorities and national economic and technological development zones authorised by MOFCOM, if the paid capital attains RMB170 million after 1 May 2016, the aforesaid provisions will be

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applicable to such taxpayer with effect from the month in which the threshold is reached. As we were an entity engaging in finance lease business and its registered capital had attained RMB170 million as at 1 May 2016, we were eligible for the tax refund if it has paid VAT at a rate of over 3%.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by MOFCOM, SAT and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, taxpayers in the production and living service industries (including the finance lease industry) are entitled to an additional 10% of deductible input tax for the current tax period from the amount of payable tax from 1 April 2019 to 31 December 2021, which was further extended to 31 December 2023 pursuant to the Announcement on VAT Policies for Facilitating the Relief and Development of Industries with Difficulties in the Service Sector (《關於促進服務業領域困難行業紓困發展有關增值稅政策的公告》) promulgated by MOFCOM and SAT on 3 March 2022 and the Announcement on Clarifying VAT Relief and Other Policies for Small-scale VAT Taxpayers (《關於明確增值稅小規模納稅人減免增值稅等政策的公告》) promulgated by MOFCOM and SAT on 9 January 2023.

The abovementioned tax benefits, including refunds for VAT payment and the additional 10% of deductible input tax, were computed based on the net VAT paid and tax payable respectively, both of which directly arose from our finance lease income and purchase of finance lease automobiles during our ordinary and usual course of business. Accordingly, we consider that such tax benefits as other income generated in the ordinary and usual course of business.

### *(b) Government subsidies*

Examples of the various government subsidies received include rebates of handling fees from the relevant tax authorities arising from withholding and payment of employees' personal income tax by us at the time of wage payment (the “**Handling Fee Rebates**”) which incurred annually; subsidies for share transfers; rewards for stable industrial production and operation; and various employment subsidies, including those for long-term job stabilisation and employment support in order to stabilise the employment during the outbreak of COVID-19 in the PRC in 2020.

Amongst the various government subsidies granted to us, certain types of government subsidies arose from the ordinary and usual course of business, such as rewards for stable industrial production and operation and employment support subsidies, which are recurring; while certain types of government subsidies did not arise from the usual and ordinary course of our business and one-off subsidies are not recurring, such as share transfer subsidies and the Handling Fee Rebates. The government subsidies amounted to approximately RMB4.1 million, RMB3.8 million, RMB1.6 million and RMB0.8 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Government subsidies, net of tax together amounted to approximately RMB3.2 million, RMB3.0 million, RMB1.2 million and RMB0.6 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

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### Other losses, net

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property and equipment	(927)	(2,822)	(2,062)	(2,582)
Others	<u>(5,694)</u>	<u>(5,891)</u>	<u>(4,752)</u>	<u>(1,433)</u>
	<u><u>(6,621)</u></u>	<u><u>(8,713)</u></u>	<u><u>(6,814)</u></u>	<u><u>(4,015)</u></u>

Our other losses, net, primarily included loss on disposal of property and equipment.

### Selling and marketing expenses

Selling and marketing expenses amounted to RMB75.1 million, RMB83.2 million, RMB81.1 million and RMB44.1 million, respectively, for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. Selling and marketing expenses mainly include (i) employee benefit expenses; (ii) depreciation and amortisation; and (iii) advertising expenses.

The following table sets out a breakdown of our selling and marketing expenses for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Employee benefit expenses	31,979	42.6	33,214	39.9	33,374	41.2	17,233	41.1	17,655	40.0
Depreciation and amortisation	13,042	17.4	15,201	18.3	16,209	20.0	8,029	19.1	8,257	18.7
Repair and maintenance	6,316	8.4	9,812	11.8	10,379	12.8	5,045	12.0	6,543	14.8
Advertising expenses	8,537	11.4	10,834	13.0	8,423	10.4	4,982	11.9	3,215	7.3
Motor vehicle expenses	6,382	8.5	4,711	5.7	5,208	6.4	2,483	5.9	3,959	9.0
Travelling expenses	1,592	2.1	1,239	1.5	637	0.8	315	0.8	698	1.6
Office expenses	1,562	2.1	1,458	1.8	1,084	1.3	511	1.2	815	1.8
Rental expenses	2,030	2.7	3,712	4.5	2,511	3.1	1,342	3.2	1,246	2.8
Other expenses	<u>3,616</u>	<u>4.8</u>	<u>2,983</u>	<u>3.5</u>	<u>3,271</u>	<u>4.0</u>	<u>2,036</u>	<u>4.8</u>	<u>1,698</u>	<u>4.0</u>
	<u><u>75,056</u></u>	<u><u>100.0</u></u>	<u><u>83,164</u></u>	<u><u>100.0</u></u>	<u><u>81,096</u></u>	<u><u>100.0</u></u>	<u><u>41,976</u></u>	<u><u>100.0</u></u>	<u><u>44,086</u></u>	<u><u>100.0</u></u>

Employee benefit expenses mainly consist of salaries, bonuses and contribution to social insurance for our sales staff. Employee benefit expenses amounted to RMB32.0 million, RMB33.2 million, RMB33.4 million and RMB17.7 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our employee benefit expenses increased for the year ended 31 December 2021 as compared to the year ended 31 December 2020, primarily due to the increase in the average number of headcounts of sales staff to capture the market opportunities as a result of recovery of the

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market in 2021. Our employee benefit expenses remained relatively stable for the year ended 31 December 2022 as compared to the year ended 31 December 2021. Our employee benefit expenses increased by 2.4% for the six months ended 30 June 2023 as compared to the same period in 2022, primarily due to the increase in the average number of headcounts of sales staff to capture the market opportunities.

Depreciation and amortisation mainly consist of depreciation charges of our right-of-use assets, office equipment and leasehold improvement and amortisation of our intangible assets. Depreciation and amortisation expenses amounted to RMB13.0 million, RMB15.2 million, RMB16.2 million and RMB8.3 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The increasing trend in deprecation and amortisation expenses was primarily due to the continuous enhancement of our existing self-developed internal operation systems and applications.

Advertising expenses amounted to RMB8.5 million, RMB10.8 million, RMB8.4 million and RMB3.2 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The increase in advertising expenses from the year ended 31 December 2020 to the year ended 31 December 2021 was mainly attributable to more marketing efforts made to capture the business opportunity when the overall market recovered from the outbreak of COVID-19 in the PRC. Our advertising expenses decreased for the year ended 31 December 2022 as compared to the year ended 31 December 2021, primarily due to our cost control measures on advertising as a result of the regional outbreaks of COVID-19 variants in the PRC in 2022. Our advertising expenses decreased for the six months ended 30 June 2023 as compared to the same period in 2022, mainly due to our cost control measures during the six months ended 30 June 2023.

Motor vehicle expenses were mainly the expenses related to the GPS devices attached to the automobiles under automobile retail and finance and operating lease, such as data roaming fees and GPS purchases expenses. Motor vehicle expenses amounted to RMB6.4 million, RMB4.7 million, RMB5.2 million and RMB4.0 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The fluctuations of the motor vehicle expenses during the Track Record Period were mainly due to the growth of our automobile retail and finance and operating lease business.

### **Administrative expenses**

Administrative expenses amounted to RMB105.6 million, RMB114.9 million, RMB115.1 million and RMB56.9 million, respectively, for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. Administrative expenses mainly include (i) employee benefit expenses; (ii) [REDACTED] expenses; (iii) travelling expenses; (iv) traffic contravention penalty; and (v) depreciation and amortisation expenses.

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The following table sets out a breakdown of our administrative expenses for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	62,229	58.9	54,452	47.4	55,178	47.9	30,248	49.5	26,608	46.8
[REDACTED] expenses <sup>(Note)</sup>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortisation	12,030	11.4	10,987	9.6	10,663	9.3	4,556	7.5	5,060	8.9
Travelling expenses	4,568	4.3	3,948	3.4	6,334	5.5	3,181	5.2	3,835	6.7
Traffic contravention penalty	4,818	4.6	5,688	5.0	4,305	3.7	2,295	3.8	1,503	2.6
Legal and professional expenses	2,119	2.0	3,529	3.1	4,089	3.6	1,350	2.2	2,769	4.9
Office expenses	3,427	3.2	3,174	2.8	3,582	3.1	1,885	3.1	1,777	3.1
Other taxation expenses	4,029	3.8	6,868	6.0	9,268	8.0	4,801	7.9	5,024	8.8
Other expenses	7,776	7.4	8,502	7.3	8,033	7.0	3,902	6.3	3,859	6.8
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Note:*

The [REDACTED] expenses in the aggregate amount of approximately HK\$935,000 paid to certain professional parties between June 2022 and July 2022 which were settled by Mr. Ye Fuwei and Ms. Qiu Hui, being Shareholders, on behalf of our Group, through their offshore accounts and we have settled the equivalent amounts in RMB to the onshore accounts of the relevant Shareholders by utilising our internal resources (the “Offshore Payment Arrangement”).

As advised by our PRC Legal Advisers, in respect of the Offshore Payment Arrangement, which was made due to the lack of Hong Kong dollars to be paid to the relevant professional parties for necessary expenses of this proposed [REDACTED] and did not lead to any loss of foreign exchange or other harmful consequences, we have obtained confirmations from Mr. Ye Fuwei and Ms. Qiu Hui, confirming that (i) the Hong Kong dollars they paid on behalf of the Group was their income sourced outside the PRC instead of being transferred from the PRC and (ii) they did not benefit from the Offshore Payment Arrangement. As such, our PRC Legal Advisers are of the view that the risk of our Group being penalised as violating regulations on foreign exchange for the Offshore Payment Arrangement is remote.

Employee benefit expenses mainly consist of salaries, bonuses, social insurance and share-based compensation expenses for our administrative staff. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our employee benefit expenses amounted to RMB62.2 million, RMB54.5 million, RMB55.2 million and RMB26.6 million, respectively. The decrease in employee benefit expenses for the years ended 31 December 2021, as compared to the years ended 31 December 2020 was primarily due to the decrease in the average number of headcounts of administration staff. Our employee benefit expenses remained relatively stable at RMB55.2 million and RMB54.5 million for the years ended 31 December 2021 and 2022, respectively. Our employee benefit expenses decreased for the six months ended 30 June 2023 as compared to the same period in 2022, mainly due to the decrease in the average number of headcounts of administration staff due to our cost control measures for the six months ended 30 June 2023. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, the average number of headcounts of our administration staff was 687, 559, 579 and 557, respectively.



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Traffic contravention penalty mainly represents fees in relation to handling and settlement of traffic contravention penalties incurred by our finance lease and operating lease customers which we were unable to recover from them. Since the finance lease automobiles were registered under our Group, we incurred expenses to handle and settle the traffic contravention penalty. Traffic contravention penalty amounted to RMB4.8 million, RMB5.7 million, RMB4.3 million and RMB1.5 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

Up to 30 June 2023, we incurred [REDACTED] expenses of RMB[REDACTED] million of which (i) RMB[REDACTED] million was charged to our administrative expenses during the Track Record Period; (ii) RMB[REDACTED] million was charged to our administrative expenses prior to the Track Record Period; and (iii) RMB[REDACTED] million will be deducted from equity upon [REDACTED]. For details, please refer to the section headed “Financial Information — [REDACTED] Expenses”.

### **Provision for credit loss**

Provision for credit loss comprises of provision of trade and other receivables and finance lease receivables. Provision for credit loss was RMB2.1 million, RMB3.9 million and RMB4.9 million for the years ended 31 December 2020, 2021 and 2022, respectively. The provision for credit loss for the six months ended 30 June 2023 was RMB2.8 million, as compared to RMB1.9 million for the six months ended 30 June 2022. The increase in our provision for credit loss was in line with the increase in the average balance of our finance lease receivables during the Track Record Period.

### **Fair value loss/gain on ordinary shares with redemption right**

We recorded fair value gain on ordinary shares with redemption right of RMB47.3 million and RMB46.3 million for the year ended 31 December 2022 and the six months ended 30 June 2023, primarily due to a decrease in the fair value of ordinary shares with redemption right issued by our Company to certain [REDACTED] Investors during the Track Record Period, which was mainly attributable to a decrease in our Group’s underlying equity value based on the valuation by an independent valuer. In the valuation of our Group, the independent valuer has taken into account effect of the economic condition of China in general during the six months ended 30 June 2023. For details about the issuance of ordinary shares with redemption right, see “History, Reorganisation and Corporate Structure — [REDACTED] Investments”.

### **Research and development expenses**

During the Track Record Period, we incurred research and development expenses in developing intangible assets such as automobile monitoring platform and mobile applications. Our research and development expenses amounted to RMB0.4 million, RMB2.1 million, RMB0.7 million and RMB0.3 million, for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. See “Business — Research and development” for further details.

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### Finance cost, net

We incurred net finance cost amounted to RMB109.2 million, RMB117.8 million, RMB143.0 million and RMB82.9 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our finance cost comprises (i) costs of funding; (ii) interest expenses on other borrowings; and (iii) interest expenses on lease liabilities, while our finance income mainly comprises (i) bank interest income; and (ii) imputed interest income from deposits for borrowings.

The following table sets out a breakdown of our finance cost, net for the years/period indicated:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance cost:</b>				
Cost of funding <sup>(Note)</sup>	(98,682)	(108,831)	(131,381)	(76,001)
Interest expenses on other borrowings	(10,887)	(10,122)	(11,807)	(6,501)
Interest expenses on lease liabilities	<u>(1,452)</u>	<u>(876)</u>	<u>(803)</u>	<u>(366)</u>
	<u>(111,021)</u>	<u>(119,829)</u>	<u>(143,991)</u>	<u>(82,868)</u>
<b>Finance income:</b>				
Bank interest income	763	320	228	344
Net gain on extension of borrowing from a [REDACTED] Investor	—	683	—	—
Imputed interest income from deposits for borrowings	<u>1,086</u>	<u>1,005</u>	<u>745</u>	<u>491</u>
	<u>1,849</u>	<u>2,008</u>	<u>973</u>	<u>835</u>
<b>Finance cost, net</b>	<u>(109,172)</u>	<u>(117,821)</u>	<u>(143,018)</u>	<u>(82,033)</u>

*Note:* Cost of funding represented finance cost for purchase of automobiles for lease.

Our cost of funding mainly represents interest expenses of our borrowings for the purchase of automobiles for lease. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, our costs of funding amounted to RMB98.7 million, RMB108.8 million, RMB131.4 million and RMB76.0 million, respectively. The increasing

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trend of our cost of funding during the Track Record Period was primarily due to the overall increase in borrowing to finance our automobile retail and finance business as well as our automobile operating lease business for e-hailing vehicles.

The following table sets out the breakdown of our cost of funding and interest expenses on other borrowings by funding sources for the years/period indicated:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing loans	71,722	51,564	41,265	16,657
Automobile finance lease arrangements	37,430	62,441	97,765	63,427
Factoring of finance lease receivables	417	3,197	3,403	1,955
Asset-backed securities	—	1,751	755	463
<b>Total</b>	<u>109,569</u>	<u>118,953</u>	<u>143,188</u>	<u>82,502</u>

For illustrative purpose, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our costs of funding on our profit before tax during the Track Record Period, assuming the fluctuation of our costs of funding to be 1%, 3% and 5% by reference to the historical fluctuation during the Track Record Period, with other variables remained constant:

	Changes in costs of funding		
	+/- 1%	+/- 3%	+/- 5%
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Decrease/increase in profit before tax</i>			
Year ended 31 December 2020	-/+ 987	-/+ 2,960	-/+ 4,934
Year ended 31 December 2021	-/+ 1,088	-/+ 3,265	-/+ 5,442
Year ended 31 December 2022	-/+ 1,314	-/+ 3,941	-/+ 6,569
Six months ended 30 June 2023	-/+ 760	-/+ 2,280	-/+ 3,800

### Income tax expenses

Our PRC subsidiaries are subject to the enterprise income tax in the PRC. The income tax of our Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the Track Record Period, other than our two subsidiaries certified as High and New Technology Enterprises (HNTE) which is entitled to

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concessionary tax rate of 15% for three consecutive years from 2020 to 2022. Since 2022, one of the certified subsidiary did not renew the HNTE certificate and therefore the tax rate was changed to 25%.

No Hong Kong profits tax was provided for as there was no assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

Under the current laws of the BVI, the BVI subsidiary is not subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the BVI.

Our Company was incorporated under the law of the Cayman Islands as an exempted company with limited liability and is not subject to the Cayman Islands income tax.

Our income tax expenses were RMB10.7 million, RMB12.3 million, RMB14.7 million and RMB2.9 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The effective tax rates for the corresponding year/period were 51.1%, 28.7%, 16.0% and 4.5%, respectively. The effective tax rates for the years ended 31 December 2020 and 2021 were higher than the statutory enterprise income tax of 25%, primarily due to the tax effect of some expenses recognised for the years ended 31 December 2020 and 2021, including (i) fair value loss on ordinary shares with redemption right; and (ii) certain [REDACTED] expenses, which are not deductible for tax purposes. The effective tax rates decreased to 16.0% and 4.5% for the year ended 31 December 2022 and the six months ended 30 June 2023, which was primarily attributable to the tax effect of the fair value gain on ordinary shares with redemption right of RMB47.3 million and RMB46.3 million for the year ended 31 December 2022 and the six months ended 30 June 2023, which is not taxable for tax purpose; while we recorded fair value loss on ordinary shares with redemption right for the years ended 31 December 2020 and 2021.

## REVIEW OF HISTORICAL RESULTS OF OPERATION

### Six months ended 30 June 2023 compared to six months ended 30 June 2022

#### *Revenue*

Our total revenue increased by 11.7% from RMB538.1 million for the six months ended 30 June 2022 to RMB601.0 million for the same period in 2023. The increase was primarily driven by the combined effect of:

(i) *Automobile retail and finance*

Our revenue generated from the sales of automobile under finance lease increased by 16.2% from RMB331.0 million for the six months ended 30 June 2022 to RMB384.7 million for the six months ended 30 June 2023, driven by the increase in the number of automobiles sold under finance lease from 3,044 units to 3,740 units for the corresponding period, mainly due to the recovery from the adverse impact of the outbreaks of COVID-19 in 2022, our increased sales and marketing efforts and the opening of new self-operated sales outlets to grow our business.

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Our revenue generated from finance lease income increased by 13.0% from RMB131.1 million for the six months ended 30 June 2022 to RMB148.2 million for the six months ended 30 June 2023, driven by the increase in the average total principal amount of finance lease agreements by 15.5% for the six months ended 30 June 2023 as compared to that for the same period in 2022.

*(ii) Automobile-related businesses*

Our revenue from automobile-related businesses decreased from RMB76.0 million for the six months ended 30 June 2022 to RMB68.1 million, or 10.4%, for the six months ended 30 June 2023, primarily due to the decrease in revenue generated from our automobile operating lease business for the corresponding period. The decrease in revenue from our automobile operating lease business was mainly due to the decrease in revenue from our e-hailing operating lease business for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022, which was mainly due to (i) the decrease in the average occupancy rate of e-hailing vehicles under operating lease from 88.3% to 69.8% for the corresponding period, mainly due to the expansion of our e-hailing automobile fleet and the 1,462 units of e-hailing vehicles newly purchased during the period, which typically takes one to two months to complete the e-hailing registration, were not fully utilised during the six months ended 30 June 2023; and (ii) the decrease in the average number of e-hailing vehicles available for lease during the period as we switched and subsequently sold 483 units e-hailing vehicles from operating lease to finance lease during the six months ended 30 June 2023.

During the six months ended 30 June 2023, due to customers’ demand, we sold five units of new automobiles to customers who have no financing need. During the Track Record Period, revenue generated from sales of new automobile without finance lease amounted to nil, nil, nil and RMB0.4 million, respectively. From 1 July 2023 to the Latest Practicable Date, we did not have any such automobile sales. As confirmed by our Directors, as at the Latest Practicable Date, we did not have any expansion plan in this regard.

***Cost of revenue***

Our cost of revenue increased from RMB352.8 million for the six months ended 30 June 2022 to RMB403.7 million for the six months ended 30 June 2023, mainly resulted from the increase in the cost of inventories from RMB268.5 million for the six months ended 30 June 2022 to RMB312.3 million for the six months ended 30 June 2023, primarily due to the increase in our sales of automobile under finance lease as aforementioned.

***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit increased from RMB185.3 million for the six months ended 30 June 2022 to RMB197.3 million for the six months ended 30 June 2023. Our gross profit margin decreased from 34.4% for the six months ended 30 June 2022 to 32.8% for the six months ended 30 June 2023, mainly due to a higher gross profit contribution from our sales of automobile under finance lease, which has a lower gross profit margin as compared to finance lease income.

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### *Other income, net*

Our other income, net, increased from RMB9.2 million for the six months ended 30 June 2022 to RMB11.6 million for the six months ended 30 June 2023, primarily due to the increase in refund of VAT from the government as a result of the increase in net VAT paid and tax payable arose from the increase in our finance lease income and our purchase of finance lease automobiles for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022. See “Other income, net — (a) VAT related tax benefits” for details in this section.

### *Other losses, net*

Our other losses, net, increased from RMB2.6 million for the six months ended 30 June 2022 to RMB4.0 million for the six months ended 30 June 2023, mainly due to the increase in loss on disposal of property and equipment from RMB0.5 million to RMB2.6 million for the corresponding period.

### *Selling and marketing expenses*

Selling and marketing expenses remained relatively stable at RMB44.1 million for the six months ended 30 June 2023, as compared to RMB42.0 million for the six months ended 30 June 2022.

### *Administrative expenses*

Administrative expenses decreased from RMB61.1 million for the six months ended 30 June 2022 to RMB56.9 million for the six months ended 30 June 2023, primarily due to the decrease in employee benefit expenses, attributable to the decrease in the average number of headcounts of administration staff due to our cost control measures. For the six months ended 30 June 2022 and 2023, the average number of headcounts of our administration staff was 584 and 557, respectively.

### *Research and development expenses*

We had insignificant research and development expenses of RMB0.3 million for the six months ended 30 June 2023, as compared to RMB0.4 million for the six months ended 30 June 2022.

### *Finance cost, net*

Our finance cost, net, increased from RMB73.2 million for the six months ended 30 June 2022 to RMB82.9 million for the six months ended 30 June 2023, primarily due to the increase in the average balance of borrowings from RMB1,337.7 million for the six months ended 30 June 2022 to RMB1,785.6 million for the six months ended 30 June 2023.



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### *Income tax expenses*

Our income tax expenses decreased to RMB2.9 million for the six months ended 30 June 2023 as compared to RMB3.6 million for the six months ended 30 June 2022. Our effective tax rate was 4.5% for the six months ended 30 June 2023, mainly attributable to the tax effect of the fair value gain on ordinary shares with redemption right of RMB46.3 million for the period, which is not taxable for tax purposes.

### *Profit for the period*

As a result of the foregoing, we recorded net profit of RMB62.3 million for the six months ended 30 June 2023, as compared to RMB44.3 million for the six months ended 30 June 2022, mainly driven by (i) our revenue growth from RMB538.1 million to RMB601.0 million due to the recovery from the adverse impact of COVID-19 in 2022, our increased sales and marketing efforts and the opening of new self-operated sales outlets to grow our business; and (ii) the increase in the fair value gain on ordinary shares with redemption right by RMB11.8 million for the six months ended 30 June 2023.

### *Non-IFRS measures*

#### *Adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures)*

Our adjusted net profit (non-IFRS measures) increased from RMB16.8 million for the six months ended 30 June 2022 to RMB22.1 million for the six months ended 30 June 2023, mainly due to the increase in total revenue from RMB538.1 million to RMB601.0 million for the corresponding period, driven by (i) the increase in revenue from sales of automobile under finance lease from RMB331.0 million to RMB384.7 million, or 16.2% increase for the corresponding period, attributable to the recovery from the adverse impact of COVID-19 in 2022, our increased sales and marketing efforts and the opening of new self-operated sales outlets to grow our business; and partially offset by (ii) the decrease in revenue from e-hailing operating lease business from RMB69.2 million for the six months ended 30 June 2022 to RMB61.4 million for the six months ended 30 June 2023 or 11.3% decrease for the corresponding period, mainly due to (a) the decrease in the average occupancy rate of e-hailing vehicles under operating lease from 88.3% to 69.8% for the corresponding period, mainly due to the expansion of our e-hailing automobile fleet and the 1,462 units of e-hailing vehicles newly purchased during the period, which typically takes one to two months to complete the e-hailing registration, were not fully utilised during the six months ended 30 June 2023; and (b) the decrease in the average number of e-hailing vehicles available for lease during the period as we switched 483 units e-hailing vehicles from operating lease to finance lease during the six months ended 30 June 2023.

Adjusted net profit margin (non-IFRS measures) was 3.3% and 3.7% for the six months ended 30 June 2022 and 2023, respectively.

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### Year ended 31 December 2022 compared to year ended 31 December 2021

#### *Revenue*

Our total revenue decreased by 2.5% from RMB1,171.3 million for the year ended 31 December 2021 to RMB1,141.5 million for the year ended 31 December 2022. The decrease was primarily driven by the combined effect of:

(i) *Automobile retail and finance*

Our revenue generated from the sales of automobile under finance lease decreased by 5.6% from RMB777.9 million for the year ended 31 December 2021 to RMB734.6 million for the year ended 31 December 2022, which was mainly driven by the decrease in the number of automobiles sold under finance lease from 7,375 units to 7,153 units for the corresponding year, mainly due to the impact on the operation of our sales outlet in various cities in the PRC brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts in the PRC, which led to the decrease in the demand for new automobile purchases in certain regions in the PRC in 2022.

Our revenue generated from finance lease income increased by 11.9% from RMB234.6 million for the year ended 31 December 2021 to RMB262.5 million for the year ended 31 December 2022, which was primarily driven by the increase in the average total principal amount of finance lease agreements by 20.4% for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021; and partially offset by (ii) the decrease in the average effective interest rate charged for finance lease agreements from 21.1% for the year ended 31 December 2021 to 19.6% for the year ended 31 December 2022.

(ii) *Automobile-related businesses*

Our revenue from automobile-related businesses decreased from RMB158.8 million for the year ended 31 December 2021 to RMB144.4 million, or 9.1%, for the year ended 31 December 2022, primarily due to the decrease in revenue generated from our automobile operating lease business, which was partially offset by the increase in revenue from our other automobile-related services. The decrease in revenue from our automobile operating lease business was mainly due to the decrease in revenue from our e-hailing operating lease business for the year ended 31 December 2022 as compared to the year ended 31 December 2021, was attributable to (i) the decrease in the average occupancy rate from 90.7% to 85.0% for our e-hailing vehicles under operating lease for the corresponding year, due to the impact of the regional outbreaks of COVID-19 variants in the PRC in 2022; and (ii) the decrease in the average number of e-hailing vehicles from 4,072 units for the year ended 31 December 2021 to 3,877 units for the year ended 31 December 2022, mainly due to we switched 1,121 e-hailing vehicles from e-hailing operating lease to e-hailing under finance lease, which was driven by more e-hailing customers selected our e-hailing vehicles under finance lease during the year.

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### *Cost of revenue*

Our cost of revenue decreased from RMB809.5 million for the year ended 31 December 2021 to RMB767.1 million for the year ended 31 December 2022, mainly resulted from the decrease in cost of inventories, from RMB633.4 million for the year ended 31 December 2021 to RMB595.6 million for the year ended 31 December 2022, primarily due to the decrease in our sales of automobile under finance lease as aforementioned.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased from RMB361.8 million for the year ended 31 December 2021 to RMB374.4 million for the year ended 31 December 2022. Our gross profit margin increased from 30.9% for the year ended 31 December 2021 to 32.8% for the year ended 31 December 2022, mainly due to a higher gross profit contribution from our finance lease income, which has a higher gross profit margin as compared to sales of automobile under finance lease.

### *Other income, net*

Our other income, net, increased from RMB16.0 million for the year ended 31 December 2021 to RMB21.7 million for the year ended 31 December 2022, primarily due to the increase in refund of VAT from the government as a result of the increase in net VAT paid and tax payable arose from the increase in our finance lease income and our purchase of finance lease automobiles for the year ended 31 December 2022 as compared to the year ended 31 December 2021. See “Other income — (a) VAT related tax benefits” for details in this section.

### *Other losses, net*

Our other losses, net, decreased from RMB8.7 million for the year ended 31 December 2021 to RMB6.8 million for the year ended 31 December 2022, mainly due to the change from fair value loss on revaluation of financial assets at fair value through profit and loss of RMB8,000 for the year ended 31 December 2021 to fair value gain on revaluation of financial assets at fair value through profit and loss of RMB1.5 million for the year ended 31 December 2022.

### *Selling and marketing expenses*

Selling and marketing expenses decreased from RMB83.2 million for the year ended 31 December 2021 to RMB81.1 million for the year ended 31 December 2022, primarily due to the decrease in advertising expenses by RMB2.4 million from RMB10.8 million for the year ended 31 December 2021 to RMB8.4 million for the year ended 31 December 2022, resulted from our cost control measures on advertising during the regional outbreaks of COVID-19 variants in the PRC in 2022.

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### *Administrative expenses*

Administrative expenses increased from RMB114.9 million for the year ended 31 December 2021 to RMB115.1 million for the year ended 31 December 2022, primarily due to (i) the decrease in [REDACTED] expenses by RMB[REDACTED] million; and partially offset by the increase in (ii) other taxation expenses by RMB2.4 million mainly resulted from the increase in addition of our operating lease vehicles amounted to RMB206.0 million for the year ended 31 December 2022 as compared to that amounted to RMB50.5 million for the year ended 31 December 2021; and (iii) travelling expenses by RMB2.4 million for the corresponding year.

### *Research and development expenses*

We had insignificant research and development expenses of RMB0.7 million for the year ended 31 December 2022, as compared to RMB2.1 million for the year ended 31 December 2021.

### *Finance cost, net*

Our finance cost, net, increased from RMB117.8 million for the year ended 31 December 2021 to RMB143.0 million for the year ended 31 December 2022, primarily due to the increase in the average balance of borrowings from RMB1,269.4 million for the year ended 31 December 2021 to RMB1,548.1 million for the year ended 31 December 2022.

### *Income tax expenses*

Our income tax expenses increased from RMB12.3 million for the year ended 31 December 2021 to RMB14.7 million for the year ended 31 December 2022. Our effective tax rate was 16.0% for the year ended 31 December 2022, which was mainly attributable to the tax effect of the fair value gain on ordinary shares with redemption right of RMB47.3 million for the year ended 31 December 2022, which is not taxable for tax purposes.

### *Profit for the year*

As a result of the foregoing, we recorded net profit of RMB77.1 million for the year ended 31 December 2022, as compared to RMB30.7 million for the year ended 31 December 2021.

### *Non-IFRS measures*

#### *Adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures)*

Our adjusted net profit (non-IFRS measures) decreased from RMB49.5 million for the year ended 31 December 2021 to RMB42.4 million for the year ended 31 December 2022, mainly due to the decrease in total revenue from RMB1,171.3 million to RMB1,141.5 million for the corresponding year. The decrease in total revenue for the year ended 31 December 2022 as compared to the year ended 31 December 2021 was mainly due to (i) the decrease in revenue from sales of automobile under finance lease from RMB777.9 million

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for the year ended 31 December 2021 to RMB734.6 million for the year ended 31 December 2022, or 5.6% decrease for the corresponding year, caused by the regional outbreaks of COVID-19 variants in the PRC in 2022; and (ii) the decrease in revenue from e-hailing operating lease business from RMB132.8 million for the year ended 31 December 2021 to RMB115.9 million the year ended 31 December 2022 or 12.7% decrease for the corresponding year, affected by (a) the decrease in the average occupancy rate from 90.7% to 85.0% for our e-hailing vehicles under operating lease for the corresponding year, due to the impact of the regional outbreaks of COVID-19 variants in the PRC in 2022; and (b) the decrease in the average number of e-hailing vehicles from 4,072 units for the year ended 31 December 2021 to 3,877 units for the year ended 31 December 2022, which was driven by more customers selected our finance lease service in 2022, resulting the revenue from these switched e-hailing vehicles were recorded in finance lease income instead of e-hailing operating lease.

Adjusted net profit margin (non-IFRS measures) was 4.2% and 3.7% for the years ended 31 December 2021 and 2022, respectively.

### **Year ended 31 December 2021 compared to year ended 31 December 2020**

#### ***Revenue***

For the year ended 31 December 2021, our total revenue was RMB1,171.3 million, increased by 56.2% from RMB749.8 million for the year ended 31 December 2020. The increase was primarily due to the combined effect of:

#### *(i) Automobile retail and finance*

Our sales of automobile under finance lease was RMB777.9 million for the year ended 31 December 2021, increased by 114.3% from RMB362.9 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in the number of new automobiles sold under finance lease from 3,901 units in 2020 to 7,375 units in 2021 driven by the recovery of our operation along with the recovery of the automobile sales market after the adverse impact of COVID-19 outbreak in the PRC in 2020, and our increased sales headcounts in our self-operated sales outlets from 336 as at 31 December 2020 to 495 as at 31 December 2021 to capture the market opportunities.

Our revenue generated from finance lease income slightly decreased to RMB234.6 million for the year ended 31 December 2021 from RMB234.7 million for the year ended 31 December 2020, primarily due to a combined impact of (i) the fading out of our finance lease agreements entered into prior to 2019 which had relatively higher average yield and generally had a term ranging from two to four years; and (ii) partially offset by an increase of 20.9% in the number of finance lease agreements in effect from 15,839 agreements as at 31 December 2020 to 19,152 agreements as at 31 December 2021, while our average effective interest rate charged for the newly signed finance lease agreements remained relatively stable at 20.5% and 19.4% for the years ended 31 December 2020 and 2021, respectively.



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### *(ii) Automobile-related businesses*

Our revenue generated from automobile-related businesses was RMB158.8 million for the year ended 31 December 2021, increased by 4.4% from RMB152.1 million for the year ended 31 December 2020, primarily driven by the increase in revenue generated from our automobile operating lease business from RMB132.6 million for the year ended 31 December 2020 to RMB144.2 million for the year ended 31 December 2021, which was primarily attributable to the increase in revenue generated from (i) our e-hailing operating lease business from RMB116.6 million to RMB132.8 million as a result of the continuous expansion of our e-hailing operating lease business; and partially offset by the decrease in revenue generated from (ii) our new energy car-sharing business by RMB1.2 million; and (iii) our other operating lease business by RMB3.5 million, for the corresponding year, respectively.

### *Cost of revenue*

Our cost of revenue increased from RMB446.2 million for the year ended 31 December 2020 to RMB809.5 million for the year ended 31 December 2021. Such increase was primarily due to (i) the increase in cost of inventories by RMB327.5 million as a result of the increase in the number of automobiles sold under finance lease for the year ended 31 December 2021; (ii) the increase in depreciation expenses by RMB17.9 million as a result of purchase of automobiles for the expansion of our e-hailing operating lease business; and (iii) the increase in employee benefit expenses by RMB15.6 million due to the increase in the sales commission paid to our sales staff resulted from the increase in the sales of automobile under finance lease for the year ended 31 December 2021 as compared to the year ended 31 December 2020.

### *Gross profit and gross profit margin*

Our gross profit increased from RMB303.6 million for the year ended 31 December 2020 to RMB361.8 million for the year ended 31 December 2021. Our gross profit margin decreased from 40.5% for the year ended 31 December 2020 to 30.9% for the year ended 31 December 2021. The lower gross profit margin for the year ended 31 December 2021 as compared to the year ended 31 December 2020 was primarily owing to the higher revenue contribution from the sales of automobile under finance lease for the year ended 31 December 2021, as compared to the year ended 31 December 2020, as a result of the recovery of our sales of automobile under finance lease from the impact of COVID-19 in the PRC. Our gross profit margin of sales of automobile under finance lease was lower than that of finance lease. The lower contribution from our sales of automobile under finance lease in 2020 led to a mathematically inflated gross profit margin for automobile retail and finance segment for the year ended 31 December 2020. For the year ended 31 December 2021, the sales of automobile under finance lease recovered, thus the revenue contribution of our sales of automobile under finance lease increased, which decreased our overall gross profit margin as compared to the year ended 31 December 2020.



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### *Other income, net*

Our other income net decreased from RMB23.3 million for the year ended 31 December 2020 to RMB16.0 million for the year ended 31 December 2021, primarily due to the decrease in the refund of VAT.

### *Other losses, net*

Our other net losses increased from RMB6.6 million for the year ended 31 December 2020 to RMB8.7 million for the year ended 31 December 2021, primarily attributable to the increase in loss on disposal of property and equipment by RMB1.9 million, mainly due to the increase in the number of our automobiles used for our operating lease business disposed during the year ended 31 December 2021.

### *Selling and marketing expenses*

Selling and marketing expenses increased from RMB75.1 million for the year ended 31 December 2020 to RMB83.2 million for the year ended 31 December 2021, primarily due to the increase in (i) repair and maintenance expenses by RMB3.5 million, mainly for our operating lease vehicles and repossessed automobiles; (ii) advertising expenses by RMB2.3 million; (iii) depreciation and amortisation expenses by RMB2.2 million primarily resulted from the increase in our self-developed application for the year ended 31 December 2021; and partially offset by (iv) the decrease in motor vehicle expenses by RMB1.7 million for the corresponding year.

### *Administrative expenses*

Administrative expenses increased from RMB105.6 million for the year ended 31 December 2020 to RMB114.9 million for the year ended 31 December 2021, primarily due to the increase in (i) [REDACTED] expenses by RMB[REDACTED] million; (ii) our taxes and surcharges by RMB2.8 million, mainly resulted from the growth of our operation; and partially offset by the decrease in (iii) employee benefit expenses by RMB7.8 million, as a result of the decrease in the average number of headcounts of administrative staff, for the corresponding year.

### *Research and development expenses*

Our research and development expenses increased from RMB0.4 million for the year ended 31 December 2020 to RMB2.1 million for the year ended 31 December 2021, primarily due to the increased expenses incurred for the enhancement of our internal operation system, of which we did not put too much focus and efforts during the year ended 31 December 2020 mainly because of the outbreak of COVID-19 in the PRC in 2020.

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### *Finance cost, net*

Our finance cost, net, increased from RMB109.2 million for the year ended 31 December 2020 to RMB117.8 million for the year ended 31 December 2021, primarily due to the increase in the average balance of borrowings for the year ended 31 December 2020 as compared to that for the year ended 31 December 2021.

### *Income tax expenses*

Income tax expenses increased from RMB10.7 million for the year ended 31 December 2020 to RMB12.3 million for the year ended 31 December 2021, primarily due to the increase in profit before income tax. Our effective tax rate decreased from 51.1% for the year ended 31 December 2020 to 28.7% for the year ended 31 December 2021, primarily attributable to the increase of [REDACTED] expenses by RMB[REDACTED] million and certain of which are not deductible for tax purposes.

### *Profit for the year*

As a result of the foregoing, our net profit increased from RMB10.3 million for the year ended 31 December 2020 to RMB30.7 million for the year ended 31 December 2021, whereas our net profit margin improved from 1.4% to 2.6% for the corresponding year, respectively.

### *Non-IFRS measures*

#### *Adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures)*

Our adjusted net profit (non-IFRS measures) increased from RMB21.3 million for the year ended 31 December 2020 to RMB49.5 million for the year ended 31 December 2021. Our adjusted net profit margin (non-IFRS measures) increased from approximately 2.8% for the year ended 31 December 2020 to 4.2% for the year ended 31 December 2021.

## LIQUIDITY AND CAPITAL RESOURCES

### **Cash Flow**

Our primary uses of capital are to fund our automobiles for finance leases and operating leases and to manage the working capital of our daily operations. During the Track Record Period, we financed our business operations primarily through our own capital and interest-bearing borrowings. After [REDACTED], we also expect to fund part of our capital needs using the [REDACTED] from the [REDACTED]. As at the Latest Practicable Date, we did not experience any material difficulty in raising funds by borrowings or any liquidity problems in settling our payables in the normal course of business and repaying our borrowings when they fall due. We invest in purchasing automobiles for our automobile retail and finance lease business, while the payments made by our automobile finance lease customers are based on periodic installments. Our business

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model may lead to a net operating cash outflow from operating activities for a particular period. The certainty of our cashflow thus depends on our operating activities, which vary from period to period.

The following table summarises our consolidated statements of cash flows during the Track Record Period:

	<b>Year ended 31 December</b>			<b>Six months ended</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
				<i>RMB'000</i>
Operating cash flow before changes in working capital	240,327	295,967	311,248	166,195
Changes in working capital	130,884	(266,037)	(227,379)	(63,171)
Income tax paid	(15,737)	(8,958)	(14,406)	(11,527)
Interest paid	<u>(125,593)</u>	<u>(98,381)</u>	<u>(143,463)</u>	<u>(84,253)</u>
Net cash (used in)/generated from operating activities	229,881	(77,409)	(74,000)	7,244
Net cash used in investing activities	(171,219)	(58,172)	(119,133)	(130,093)
Net cash generated from/ (used in) financing activities	<u>(163,009)</u>	<u>203,073</u>	<u>314,827</u>	<u>135,240</u>
Net (decrease)/increase in cash and cash equivalents	(104,347)	67,493	121,694	12,391
Cash and cash equivalents at beginning of year	119,160	11,880	79,373	201,078
Effect on foreign exchange rate difference	<u>(2,933)</u>	<u>—</u>	<u>11</u>	<u>562</u>
Cash and cash equivalents at end of year	<u><u>11,880</u></u>	<u><u>79,373</u></u>	<u><u>201,078</u></u>	<u><u>214,031</u></u>

***Operating activities***

During the Track Record Period, our cash inflow from operating activities was principally from sales of automobile under finance lease, interest income from finance leases and automobile rentals. Our operating cash outflow mainly comprises purchase of automobiles for our automobile retail and finance business as well as payments for our operating expenses, interest expenses and tax payments.

For the year ended 31 December 2020, our Group had net cash generated from operating activities of RMB229.9 million, mainly as a result of operating cash flows before changes in working capital of RMB240.3 million, income tax paid of RMB15.7 million,

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interest paid of RMB125.6 million and positive changes in working capital of RMB130.9 million. Changes in working capital mainly represented (i) the decrease in trade and other receivables and finance lease receivables of RMB100.1 million mainly as a result of the impact of the outbreak of COVID-19 in the PRC in 2020 which resulted in (a) the decrease in the number of new finance lease agreements entered during the year ended 31 December 2020; and (b) the increase in the number of early termination of the existing finance lease agreements and led to repossession during the year ended 31 December 2020; and (ii) the decrease in inventories of RMB41.5 million primarily as a result of the decrease in the number of finance lease agreements terminated during the fourth quarter in 2020 as compared to that during the corresponding period in 2019.

For the year ended 31 December 2021, our Group had net cash used in operating activities of RMB77.4 million, mainly as a result of operating cash flows before changes in working capital of RMB296.0 million, income tax paid of RMB9.0 million, interest paid of RMB98.4 million and negative changes in working capital of RMB266.0 million. Changes in working capital were mainly due to the increase in trade and other receivables and finance lease receivables of RMB287.8 million mainly as a result of the increase in the total number of finance lease agreements that were in effect.

For the year ended 31 December 2022, our Group had net cash used in operating activities of RMB74.0 million, mainly as a result of operating cash flows before changes in working capital of RMB311.2 million, income tax paid of RMB14.4 million, interest paid of RMB143.5 million and negative changes in working capital of RMB227.4 million. Changes in working capital mainly represented (i) the increase in inventories aged 0–30 days of RMB41.5 million mainly due to the increase in purchase of automobiles in December 2022 so as to take advantage of preferential tax benefit, which was set to expire by the end of 2022, according to the Announcement on Reduction of Vehicle Purchase Tax for Certain Passenger Vehicles (《關於減徵部分乘用車車輛購置稅的公告》), which came into effect on 1 June 2022, of which the vehicle purchase tax was halved for passenger vehicles with a displacement up to 2.0 liters with price lower than RMB300,000 per unit, that are purchased between 1 June 2022 and 31 December 2022; (ii) the increase in trade and other payables of RMB38.4 million mainly due to the increase in purchase of automobiles in December 2022; and (iii) the increase in trade and other receivables and finance lease receivables of RMB207.7 million.

For the six months ended 30 June 2023, our Group had net cash generated from operating activities of RMB7.2 million, mainly as a result of operating cash flows before changes in working capital of RMB166.2 million, income tax paid of RMB11.5 million, interest paid of RMB84.3 million and negative changes in working capital of RMB63.2 million. Changes in working capital were mainly due to (i) the increase in trade and other receivables and finance lease receivables of RMB35.8 million mainly as a result of the increase in the total number of finance lease agreements in effect; (ii) the increase in inventories of RMB17.8 million due to the increased purchase of automobile inventories; and partially offset by (iii) the decrease in trade and other payables of RMB49.2 million during the period.

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We experienced the net cash used in operating activities for business growth during the Track Record Period. This was 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.

While we believe that the net cash used in operating activities for the years ended 31 December 2021 and 2022 were attributable to our business growth, we have taken the following measures to monitor our overall liquidity position, including (i) our finance department prepares cash flow forecasts regularly to project liquidity position of our Group for our management to review; and (ii) we continuously enhance our risk management, in particular, we have established the communication unit and the operation unit to manage finance lease receivables where our customers default in repayment for over three months in general, in order to ensure prompt collection of finance lease receivables or repossession of leased automobiles. We also strive to match the cash inflow of our finance leases with the cash outflow relating to our borrowings with the respective terms and tenor. With the above measures, we strive to achieve net cash flow generated from operating activities, and reduce liquidity risk. For details about our liquidity risk control measures, please refer to the “Risk Management and Operation — Operational Risk Management — Credit Risk Management” and “Risk Management and Operation — Operational Risk Management — Liquidity Risk”.

### *Investing activities*

During the Track Record Period, our cash inflow from investing activities was principally from the interest received and proceeds from the disposal of property and equipment. Our cash outflow from investing activities mainly comprised payment for the purchase of property and equipment, payment for the addition of intangible assets and payment for acquisition of financial assets at fair value through profit or loss.

For the year ended 31 December 2020, our Group had net cash used in investing activities of RMB171.2 million, primarily attributable to payment for the purchase of property and equipment of RMB166.9 million, mainly for the purchase of automobiles used for our operating lease business.

For the year ended 31 December 2021, our Group had net cash used in investing activities of RMB58.2 million, primarily attributable to (i) the payment for the purchase of property and equipment of RMB45.6 million, mainly for the purchase of automobiles used for our operating lease business; (ii) payment for financial assets at fair value through profit or loss of RMB28.0 million; and (iii) payment for addition of intangible assets of RMB11.5 million. Such net cash used in investing activities was partially offset by proceeds obtained from disposal of property and equipment of RMB24.6 million.

For the year ended 31 December 2022, our Group had net cash used in investing activities of RMB119.1 million, primarily attributable to (i) payment for the purchase of property and equipment of RMB137.9 million, mainly automobiles for our operating lease business; and (ii) payment for addition of intangible assets of RMB11.3 million. Such net cash used in investing activities was partially offset by proceeds from disposal of property and equipment of RMB29.8 million.

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For the six months ended 30 June 2023, our Group had net cash used in investing activities of RMB85.4 million, primarily attributable to (i) payment for the purchase of property and equipment of RMB94.5 million, mainly automobiles for our operating lease business; and (ii) payment for addition of intangible assets of RMB4.9 million. Such net cash used in investing activities was partially offset by proceeds from disposal of property and equipment of RMB13.7 million.

### *Financing activities*

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from borrowings, capital injection to our Company upon issuance of shares to give effect to the Reorganisation and issuance of ordinary shares with redemption right. Our cash outflow used in financing activities mainly comprises the repayments of borrowings and deemed distribution to the shareholders of the XXF Group for purchasing the [REDACTED] Business (as defined in Accountant’s Report in Appendix I to this document) as a result of the Reorganisation.

For the year ended 31 December 2020, our Group had net cash used in financing activities of RMB163.0 million, primarily attributable to (i) repayments of borrowings of RMB772.3 million; and (ii) deemed distribution to the shareholders of the XXF Group for purchasing the [REDACTED] Business (as defined in Accountant’s Report in Appendix I to this document) of RMB219.3 million. Such net cash used in financing activities was partially offset by (i) proceeds from borrowings of RMB638.9 million; and (ii) capital injection to our Company upon issuance of Shares to give effect to the Reorganisation of RMB214.1 million.

For the year ended 31 December 2021, our Group had net cash generated from financing activities of RMB203.1 million, primarily attributable to (i) proceeds from borrowings of RMB1,168.9 million; (ii) repayments of borrowings of RMB963.8 million; (iii) receipt from issuance of ordinary shares of XXF Group with redemption right of RMB20.0 million from Hit Drive Limited, an offshore holding vehicle of Beijing Chesheng; (iv) placement of deposits for borrowings of RMB17.0 million; and (v) redemption of deposits for borrowings of RMB14.0 million.

For the year ended 31 December 2022, our Group had net cash generated from financing activities of RMB314.9 million, primarily attributable to (i) the proceeds from borrowings of RMB1,338.3 million; and (ii) the redemption of deposits for borrowings of RMB18.5 million, which was partially offset by (iii) the repayments of borrowings of RMB1,003.1 million; and (iv) the placement of deposits for borrowings of RMB29.2 million.

For the six months ended 30 June 2023, our Group had net cash generated from financing activities of RMB133.6 million, primarily attributable to (i) the proceeds from borrowings of RMB670.1 million; and partially offset by (ii) the repayments of borrowings of RMB525.7 million.



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### Capital Management

Our Group regularly reviews and manages our capital structure to maintain a balance between debt financing and equity financing and makes adjustments to the capital structure in light of changes in economic conditions. No material changes were made in the objectives, policies or processes of our capital management during the Track Record Period.

Our Directors confirmed that our Group does not expect any material changes in the mix and relative cost of capital resources in the foreseeable future.

Our Group monitors capital on the basis of the gearing ratio. The gearing ratio as at the end of the years/period indicated are as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	1,155,958	1,382,822	1,713,415	1,857,860
Lease liabilities	19,161	14,305	13,856	13,619
Less: cash and cash equivalents	<u>(11,880)</u>	<u>(79,373)</u>	<u>(201,078)</u>	<u>(214,031)</u>
Net debt	1,163,239	1,317,754	1,526,193	1,657,448
Total equity	<u>408,172</u>	<u>443,512</u>	<u>506,614</u>	<u>565,374</u>
Total capital	<u>1,571,411</u>	<u>1,761,266</u>	<u>2,032,807</u>	<u>2,222,822</u>
Gearing ratio	<u>74.0%</u>	<u>74.8%</u>	<u>75.1%</u>	<u>74.6%</u>

*Note:* Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including “borrowings and lease liabilities” as shown in the consolidated statement of financial position) less cash and cash equivalents. Our Group does not consider the amount of ordinary shares with redemption right when calculating net debt. Total capital is calculated as ‘equity’ as shown in the consolidated statement of financial position plus net debt.

Our Group manages our capital to ensure that our group companies can repay or refinance debts when they fall due and comply with the PRC laws and regulations while maximising the return to Shareholders through balancing our debt financing and equity financing. We strive to balance the objectives of matching the cash inflow of our customers’ automobile finance lease with the cash outflow of our borrowings and growing our business. See “Business — Our Debt Management” for further details of our debt management policy.

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### Net Current Assets/(Liabilities)

We recorded net current liabilities of RMB57.7 million and RMB147.2 million as at 31 December 2020 and 2021, and net current assets of RMB41.8 million, RMB86.1 million and RMB90.4 million as at 31 December 2022, 30 June 2023 and 31 August 2023, respectively. The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 August
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current assets</b>					
Inventories	142,021	141,883	193,634	127,541	133,655
Finance lease receivables	379,303	464,397	560,061	594,355	615,388
Trade receivables	6,837	6,741	9,940	6,009	6,558
Prepayments, deposits and other receivables	238,405	244,535	265,968	249,260	240,172
Amount due from shareholders	5,733	5,569	6,085	6,280	6,235
Restricted cash	9,675	5,000	4,534	538	3,612
Cash and cash equivalents	<u>11,880</u>	<u>79,373</u>	<u>201,078</u>	<u>214,031</u>	<u>203,769</u>
Total current assets	<u>793,854</u>	<u>947,498</u>	<u>1,241,300</u>	<u>1,198,014</u>	<u>1,209,389</u>
<b>Current liabilities</b>					
Borrowings	708,578	726,603	828,573	909,885	878,755
Ordinary shares with redemption right	—	196,640	163,129	49,663	49,270
Amounts due to shareholders	7,687	7,467	8,158	8,420	8,360
Trade payables	41,565	68,463	105,860	48,316	79,756
Other payables and accruals	83,054	78,544	78,939	86,983	91,954
Lease liabilities	6,419	5,781	6,087	5,762	5,708
Current income tax payables	<u>4,246</u>	<u>11,225</u>	<u>8,786</u>	<u>2,882</u>	<u>5,151</u>
Total current liabilities	<u>851,549</u>	<u>1,094,723</u>	<u>1,199,532</u>	<u>1,111,911</u>	<u>1,118,954</u>
Net current assets/(liabilities)	<u>(57,695)</u>	<u>(147,225)</u>	<u>41,768</u>	<u>86,103</u>	<u>90,435</u>

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We recorded net current liabilities of RMB147.2 million as at 31 December 2021 as compared to net current liabilities of RMB57.7 million as at 31 December 2020, primarily due to a combined effect of (i) the increase in finance lease receivables; (ii) the increase in cash and cash equivalents; (iii) the increase in prepayment, deposits and other receivables; (iv) the reclassification of ordinary shares with redemption right from non-current liabilities to current liabilities pursuant to the original agreements entered into between the Group and each of the two [REDACTED] Investors of which the redemption right upon failure of a qualified [REDACTED] would be exercisable within one year from 31 December 2021; (v) the increase in borrowings; (vi) the increase in trade payables; and (vii) the increase in current income tax payable.

We recorded net current assets of RMB41.8 million as at 31 December 2022, as compared to net current liabilities of RMB147.2 million as at 31 December 2021, primarily due to (i) the increase in cash and cash equivalent from RMB79.4 million as at 31 December 2021 to RMB201.1 million as at 31 December 2022, mainly resulted from our net cash generated from financing activities and partially offset by our net cash used in operating and investing activities; (ii) the increase in inventories from RMB141.9 million as at 31 December 2021 to RMB193.6 million as at 31 December 2022 mainly attributable to the increase in the purchase of our automobiles in December 2022 as compared to that as at 31 December 2021; (iii) the increase in finance lease receivables mainly resulted from the increase in the average number of finance lease agreements for the year ended 31 December 2022 as compared to the year ended 31 December 2021; (iv) the decrease in ordinary shares with redemption right from RMB196.6 million as at 31 December 2021 to RMB163.1 million as at 31 December 2022, mainly attributable to the fair value change for the year ended 31 December 2022; and partially offset by (v) the increase in borrowings from RMB726.6 million as at 31 December 2021 to RMB828.6 million as at 31 December 2022 mainly attributable to the increase in purchase of the automobiles used for our finance lease and operating lease business; and (vi) the increase in trade payables from RMB68.5 million as at 31 December 2021 to RMB105.9 million as at 31 December 2022, mainly due to the increase in purchase of automobiles in December 2022.

We recorded an increase in net current assets of RMB86.1 million as at 30 June 2023 as compared to net current assets of RMB41.8 million as at 31 December 2022, primarily due to (i) the increase in finance lease receivables by RMB34.3 million mainly resulted from the increase in the number of finance lease agreements in effect as at 30 June 2023 as compared to that as at 31 December 2022; (ii) the decrease in inventories by RMB66.1 million as at 30 June 2023 as compared to that as at 31 December 2022, mainly attributable to the decrease in the purchase of our automobiles in June 2023 as compared to that in December 2022; (iii) the decrease in ordinary shares with redemption right by RMB113.5 million as at 30 June 2023 as compared to that as at 31 December 2022, mainly attributable to the transfer of RMB70.9 million of ordinary shares with redemption right from current liabilities to non-current liabilities as at 30 June 2023; (iv) the decrease in trade payables by RMB57.5 million as at 30 June 2023 as compared to that as at 31 December 2022, mainly due to the decrease in purchase of automobiles in June 2023 as compared to that in December 2022; and partially offset by (v) the increase in borrowings by RMB81.3 million as at 30 June 2023 as compared to that as at 31 December 2022, mainly attributable to the decrease in purchase of the automobiles used for our finance lease and operating lease business in June 2023 as

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compared to that in December 2022; and (vi) the decrease in prepayment, deposits and other receivables by RMB16.7 million as at 30 June 2023 as compared to that as at 31 December 2022.

As at 31 August 2023, being the latest practicable date for the purpose of indebtedness statement, we had net current assets of RMB90.4 million.

The net current liabilities position as at 31 December 2020 and 2021 was mainly due to the factors stated in the sub-section headed “Liquidity” below.

### Liquidity

Liquidity risk refers to the risk that our Group encounters difficulty in raising funds through financing facilities or the inability to sell our financial assets quickly to meet the payment obligations to our creditors as such obligations fall due. See “Risk Management and Operations — Liquidity Risk” for further details.

The following table sets out the maturity profile of our Group’s financial assets and liabilities based on contractual undiscounted cash flows as at the dates indicated:

	On demand/ Less than one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
<b>As at 31 December 2020</b>					
<b>Financial assets</b>					
Trade receivables	7,106	—	—	—	7,106
Finance lease receivables	524,722	403,494	350,496	—	1,278,712
Deposits and other receivables	50,998	22,052	—	—	73,050
Amount due from shareholders	5,733	—	—	—	5,733
Restricted cash	9,675	—	—	—	9,675
Cash and cash equivalents	11,880	—	—	—	11,880
<b>Total financial assets</b>	<b>610,114</b>	<b>425,546</b>	<b>350,496</b>	<b>—</b>	<b>1,386,156</b>
<b>Financial liabilities</b>					
Trade payables	41,565	—	—	—	41,565
Other payables and accruals	48,170	—	—	—	48,170
Lease liabilities	7,333	6,828	6,722	—	20,883
Borrowings	773,436	332,582	155,251	—	1,261,269
Amounts due to shareholders	7,687	—	—	—	7,687
<b>Total financial liabilities<sup>(Note)</sup></b>	<b>878,191</b>	<b>339,410</b>	<b>161,973</b>	<b>—</b>	<b>1,379,574</b>
Net liquidity gap	(268,077)	86,136	188,523	—	6,582

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	On demand/ Less than one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
<b>As at 31 December 2021</b>					
<b>Financial assets</b>					
Trade receivables	7,026	—	—	—	7,026
Finance lease receivables	647,928	528,257	491,920	—	1,668,105
Deposits and other receivables	68,681	5,577	7,793	—	82,051
Amount due from shareholders	5,569	—	—	—	5,569
Restricted Cash	5,000	—	—	—	5,000
Cash and cash equivalents	79,373	—	—	—	79,373
Financial assets at fair value through profit or loss	5,992	—	—	20,000	25,992
<b>Total financial assets</b>	<b>819,569</b>	<b>533,834</b>	<b>499,713</b>	<b>20,000</b>	<b>1,873,116</b>
<b>Financial liabilities</b>					
Trade payables	68,463	—	—	—	68,463
Other payables and accruals	37,869	—	—	—	37,869
Lease liabilities	6,409	4,774	4,285	—	15,468
Borrowings	831,872	437,155	323,693	—	1,592,720
Amounts due to shareholders	7,467	—	—	—	7,467
<b>Total financial liabilities<sup>(Note)</sup></b>	<b>952,080</b>	<b>441,929</b>	<b>327,978</b>	<b>—</b>	<b>1,721,987</b>
Net liquidity gap	(132,511)	91,905	171,735	20,000	151,129
<b>As at 31 December 2022</b>					
<b>Financial assets</b>					
Trade receivables	10,567	—	—	—	10,567
Finance lease receivables	752,427	597,330	492,366	—	1,842,123
Deposits and other receivables	65,566	7,538	24,619	—	97,723
Amount due from shareholders	6,085	—	—	—	6,085
Restricted cash	4,534	—	—	—	4,534
Cash and cash equivalents	201,078	—	—	—	201,078
Financial assets at fair value through profit or loss	—	—	—	21,647	21,647
<b>Total financial assets</b>	<b>1,040,257</b>	<b>604,868</b>	<b>516,985</b>	<b>21,647</b>	<b>2,183,757</b>
<b>Financial liabilities</b>					
Trade payables	105,860	—	—	—	105,860
Other payables and accruals	33,186	—	—	—	33,186
Lease liabilities	6,680	4,548	3,727	—	14,955
Borrowings	961,026	585,085	405,718	—	1,951,829
Amounts due to shareholders	8,158	—	—	—	8,158
<b>Total financial liabilities<sup>(Note)</sup></b>	<b>1,114,910</b>	<b>589,633</b>	<b>409,445</b>	<b>—</b>	<b>2,113,988</b>
Net liquidity gap	(74,653)	15,235	107,540	21,647	69,769

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	On demand/ Less than one year <i>RMB'000</i>	Between one and two years <i>RMB'000</i>	Between two and five years <i>RMB'000</i>	Over five years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 30 June 2023</b>					
<b>Financial assets</b>					
Trade receivables	6,858	—	—	—	6,858
Finance lease receivables	817,498	617,702	500,317	—	1,935,517
Deposits and other receivables	69,288	7,538	24,619	—	101,445
Amount due from shareholders	6,280	—	—	—	6,280
Restricted cash	538	—	—	—	538
Cash and cash equivalents	214,031	—	—	—	214,031
Financial assets at fair value through profit or loss	—	—	—	22,508	22,508
<b>Total financial assets</b>	<b>1,114,493</b>	<b>625,240</b>	<b>524,936</b>	<b>22,508</b>	<b>2,287,177</b>
<b>Financial liabilities</b>					
Trade payables	48,316	—	—	—	48,316
Other payables and accruals	45,697	—	—	—	45,697
Lease liabilities	6,341	4,349	3,983	—	14,673
Borrowings	1,038,500	601,513	442,103	—	2,082,115
Amounts due to shareholders	8,420	—	—	—	8,420
<b>Total financial liabilities<sup>(Note)</sup></b>	<b>1,147,274</b>	<b>605,862</b>	<b>446,085</b>	<b>—</b>	<b>2,199,221</b>
Net liquidity gap	(32,781)	19,379	78,850	22,508	87,956

*Note:* Our Group’s current liabilities arising from ordinary shares with redemption right were excluded from the above analysis, as such redemption right was no longer exercisable upon the filing of the [REDACTED] application and will be terminated upon [REDACTED]. In the event that we complete the [REDACTED], there will be no cash outflow from such redemption right from us. Contractual undiscounted cash flows arising from ordinary shares with redemption right were RMB188.2 million, RMB206.7 million, RMB237.8 million and RMB96.4 million, as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.



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To manage the maturity gap between our finance lease receivables and relevant borrowing terms, we monitor the maturity profile of our finance lease receivables under financial assets and the relevant borrowings under liabilities based on contractual undiscounted cash flows. The following table sets out the maturity profile of our Group’s finance lease receivables and the relevant borrowings under the automobile retail and finance segment as at the dates indicated:

	On demand/ Less than one year <i>RMB'000</i>	Between one and two years <i>RMB'000</i>	Between two and five years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>				
Finance lease receivables	524,722	403,494	350,496	1,278,712
Borrowings (automobile retail and finance)	<u>612,045</u>	<u>247,552</u>	<u>142,648</u>	<u>1,002,245</u>
Maturity gap	(87,323)	155,942	207,848	276,467
<b>As at 31 December 2021</b>				
Finance lease receivables	647,928	528,257	491,920	1,668,105
Borrowings (automobile retail and finance)	<u>733,943</u>	<u>424,533</u>	<u>320,549</u>	<u>1,479,025</u>
Maturity gap	(86,015)	103,724	171,371	189,080
<b>As at 31 December 2022</b>				
Finance lease receivables	752,427	597,330	492,366	1,842,123
Borrowings (automobile retail and finance)	<u>841,840</u>	<u>500,565</u>	<u>350,307</u>	<u>1,692,712</u>
Maturity gap	(89,413)	96,765	142,059	149,411
<b>As at 30 June 2023</b>				
Finance lease receivables	817,498	617,702	500,317	1,935,517
Borrowings (automobile retail and finance)	<u>876,717</u>	<u>487,450</u>	<u>329,307</u>	<u>1,693,475</u>
Maturity gap	(59,219)	130,252	171,010	242,042

*Note:* Maturity gap is calculated by subtracting relevant borrowings under the automobile retail and finance segment from finance lease receivables.

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For our finance 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. Our negative net liquidity gap and negative maturity gap for the category of “on demand/less than one year” do not indicate that we have a liquidity issue. Set out below is further information relating to our liquidity position:

- (i) our automobiles under inventories category that were not pledged amounted to approximately RMB65.8 million, RMB74.5 million, RMB80.4 million and RMB46.2 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. As automobiles are not financial assets, they are not included in the calculation of the net liquidity gap. These automobiles are ready for sale; and
- (ii) our automobiles under inventories category that were pledged amounted to approximately RMB80.3 million, RMB73.7 million, RMB117.2 million and RMB86.5 million, as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. These automobiles are not financial assets and, thus, not included in the calculation of liquidity gap. In the extreme case, we can surrender the automobiles to settle part of our current liabilities.

We have established diversified funding channels to ensure the sufficiency of our working capital and manage our capital. During the Track Record Period, we were able to fund our business through debt financing and equity financing. Our debt financings mainly includes (i) interest-bearing loans; (ii) automobile finance lease arrangement; (iii) factoring of finance lease receivables; and (iv) asset-backed securities. We carefully assess various funding options available in the market and select appropriate funding channel by taking into account the cost of funds, the financing ratio, tenor of the loan and the time required for the approval of funds. Accordingly, we have been capable of securing sufficient equity and debt financings to match the growth of our business operations. See “Risk Management and Operations — Liquidity Risk” for our measures to manage our liquidity risk.

As majority of our automobile purchases for our automobile retail and finance business were funded by our borrowings, before we sold these automobiles, these automobiles were recorded as inventories, which are non-financial assets, however, the borrowings related to these unsold automobiles were recorded as financial liabilities, which caused the negative liquidity gap and negative maturity gap in the category of on demand/less than one year. According to CIC, cash flow mismatch with negative net liquidity gap and negative maturity gap is an industry norm in the automobile finance leasing industry.

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To manage our liquidity risk, we have adopted the following measures: (i) strive to match the cash outflow relating to our borrowings with the cash inflow of our automobile finance leases (generally not more than four years); (ii) maintain diverse funding sources; (iii) maintain an appropriate level of liquid assets; (iv) maintain an appropriate level of unutilised funding facilities; and (v) monitor our short-term and long-term liquidity risk using internal metrics and regulatory indicators.

Our gearing ratio remained relatively stable at 74.0%, 74.8%, 75.1% and 74.6% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

As at 31 August 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate facilities of RMB4,909.8 million, of which RMB3,991.1 million was unutilised.

As at 31 December 2020, 2021, 2022 and 30 June 2023, finance lease receivables amounted to RMB787.3 million, RMB1,227.6 million, RMB1,358.2 million and RMB1,498.7 million were pledged as collaterals for our borrowings. As at 31 August 2023, being the latest practicable date for the purpose of indebtedness statement, the finance lease receivables available for utilisation in obtaining additional borrowings was RMB67.2 million.

Having considered the above, our Directors believe that (i) we have relevant measures to manage our liquidity; and (ii) we have adequate facilities to support our business operation.

### **Capital Expenditures**

Our Group’s capital expenditures principally consist expenditures on (i) purchases of property and equipment; and (ii) additions of intangible assets. During the Track Record Period, our Group recorded capital expenditures of RMB185.3 million, RMB77.1 million, RMB224.9 million and RMB232.3 million, for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

### **Working Capital**

We had net cash used in operating activities for the years ended 31 December 2021 and 2022, which was primarily due to the increase in our finance lease receivables as a result of our overall business growth in our automobile retail and finance business. During the Track Record Period, we invested in purchasing automobiles to expand our automobile finance lease and operating lease businesses and we principally financed our purchase of automobiles by borrowings, while payments by our automobile finance and operating lease customers are based on periodic instalments under the terms in the lease contract, which would generate net cash outflow for a particular period. We may record net cash used in operating activities in the future, in which case our working capital may be limited and our financial results and results of operations may be materially and adversely affected. Our cash and cash equivalents amounted to approximately RMB11.9 million, RMB79.4 million, RMB201.1 million and RMB214.0 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

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Our Directors confirm that, taking into consideration the facilities presently available, other working capital and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Property and equipment

Our property and equipment comprise (i) right-of-use assets; (ii) buildings; (iii) office equipment; (iv) automobiles; and (v) leasehold improvements. As at 31 December 2020, 2021, 2022 and 30 June 2023, the net book value of our property and equipment was RMB431.2 million, RMB353.1 million, RMB367.7 million and RMB487.7 million, respectively.

The following table sets out a breakdown of the carrying amounts of our property and equipment as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets	18,115	13,936	13,646	13,443
Buildings	3,830	3,685	3,540	3,468
Office equipment	3,840	2,395	1,626	1,768
Automobiles	398,052	324,096	342,766	463,446
Leasehold improvements	<u>7,334</u>	<u>9,026</u>	<u>6,126</u>	<u>5,548</u>
	<u><u>431,171</u></u>	<u><u>353,138</u></u>	<u><u>367,704</u></u>	<u><u>487,673</u></u>

Our property and equipment decreased from RMB431.2 million as at 31 December 2020 to RMB353.1 million as at 31 December 2021, primarily due to the decrease in our automobiles from RMB398.1 million as at 31 December 2020 to RMB324.1 million as at 31 December 2021, mainly resulted from the decrease in new addition of automobiles for our operating lease business and the depreciation expenses incurred during the year.

Our property and equipment increased by RMB14.6 million from RMB353.1 million as at 31 December 2021 to RMB367.7 million as at 31 December 2022, mainly resulted from the increase in automobiles by RMB18.7 million, primarily due to the addition of the automobiles for the year ended 31 December 2022, in order to take advantage of the preferential tax benefit during 2022.

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Our property and equipment increased by RMB68.2 million from RMB367.7 million as at 31 December 2022 to RMB487.7 million as at 30 June 2023, mainly resulted from the increase in automobiles by RMB120.7 million, primarily due to the addition of the automobiles for the six months ended 30 June 2023 to grow our automobile retail and finance business.

For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, automobiles classified under property and equipment which were subsequently transferred to inventories amounted to RMB3.0 million, RMB9.0 million, RMB68.8 million and RMB40.4 million, respectively. Such changes during the Track Record Period were mainly due to the changes of the usage of automobiles from operating lease to finance lease. We adjusted the usage of the operating lease automobiles based on operational needs.

### Intangible assets

Our intangible assets comprise (i) computer software; (ii) self-developed applications; and (iii) intangible assets under development. The following table sets out a breakdown of our intangible assets as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Computer softwares	3,324	1,229	238	32
Self-developed applications	18,807	22,061	18,844	17,133
Intangible assets under development	<u>4,532</u>	<u>831</u>	<u>2,697</u>	<u>3,268</u>
	<u><u>26,663</u></u>	<u><u>24,121</u></u>	<u><u>21,779</u></u>	<u><u>20,433</u></u>

Our intangible assets decreased from RMB26.7 million as at 31 December 2020 to RMB24.1 million as at 31 December 2021, primarily due to the decrease in our intangible assets under development from RMB4.5 million as 31 December 2020 to RMB0.8 million as at 31 December 2021. Our intangible assets decreased from RMB24.1 million as at 31 December 2021 to RMB21.8 million as at 31 December 2022, primarily due to the decrease in (i) self-developed applications from RMB22.1 million as at 31 December 2021 to RMB18.8 million as at 31 December 2022 resulted from the amortisation charged during the year; and (ii) computer software from RMB1.2 million as at 31 December 2021 to RMB0.2 million as at 31 December 2022 resulted from the amortisation charged during the year, and partially offset by (iii) the increase in intangible assets under development from RMB0.8 million as at 31 December 2021 to RMB2.7 million as at 31 December 2022. Our intangible assets decreased from RMB21.8 million as at 31 December 2022 to RMB20.4 million as at 30 June 2023, primarily due to the decrease in self-developed applications from RMB18.8 million as at 31 December 2022 to RMB17.1 million resulted from the amortisation charged during the period.

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### Impairment assessment

Our Group has developed the software which is internally used for finance lease operation. Our Group has recognised RMB4.5 million, RMB0.8 million, RMB2.7 million and RMB3.3 million of intangible assets under development as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, based on the stage of completion. The intangible assets under development generally would be completed within 12 months and the amount would be transferred to “self-developed applications” upon completion.

The carrying amounts of intangible assets under development of RMB4.5 million, RMB0.8 million, RMB2.7 million and RMB3.3 million as at 31 December 2020, 2021, 2022 and 30 June 2023 were attributable to our Group’s cash-generating units of finance lease business.

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.

These calculations use pre-tax free cash flow of finance lease business projections based on profit forecast approved by management covering a five-year period and a pre-tax discount rate of 15.1%, which reflects the specific risks relating to the finance lease business in the PRC. The pre-tax discount rate was derived from the post-tax weighted average cost of capital of the cash generating unit with adoption of Capital Asset Pricing Model (“CAPM”) to estimate the cost of equity. The CAPM inputs including levered beta and historical debt-to-capital ratio were obtained via market data of comparable companies, which are listed in major exchange markets and focused in the leasing industry and these inputs were relatively stable throughout the Track Record Period. Please refer to note 15 to Accountant’s Report as set out in Appendix I for more details.

The cash flows beyond the five-year period are extrapolated using zero growth rate and the business is assumed that it would operate perpetually.

Other key assumptions to the valuation model used are as follows:

	As at 31 December		
	2020	2021	2022
Average yield of finance lease receivables	<u>22.3%</u>	<u>20.4%</u>	<u>19.0%</u>

As at 31 December 2020, 2021 and 2022, our management assessed the recoverable amount of the cash generated unit (CGU) and determined that no impairment loss was recognised for the capitalised development costs as the recoverable amounts exceeded the carrying amounts.



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The estimated recoverable amount shall exceed its carrying amount (i.e. the headroom) as listed in below table:

	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CGU of finance lease business	<u>67,189</u>	<u>68,990</u>	<u>78,427</u>

The Directors performed sensitivity analysis based on the assumptions that revenue growth rate or average yield of finance lease receivables has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would decrease to the amounts as follows:

	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CGU of finance lease business			
— Average yield of finance lease receivables decrease by 1%	36,737	38,425	43,951
— Pre-tax WACC increase by 1%	<u>28,516</u>	<u>28,524</u>	<u>32,422</u>

Our Directors have not identified any reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the carrying amounts of the CGU to exceed their respective recoverable amounts as at 31 December 2020, 2021 and 2022, respectively.

### Inventories

Our inventories include new and repossessed automobiles and vehicle telematics equipment. The following table sets out a breakdown of our inventories as at the dates indicated:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Automobiles	146,130	148,151	197,625	131,315
Vehicle telematics equipment	<u>1,655</u>	<u>1,559</u>	<u>2,106</u>	<u>1,873</u>
	147,785	149,710	199,731	133,188
Provision for inventories	<u>(5,764)</u>	<u>(7,827)</u>	<u>(6,097)</u>	<u>(5,647)</u>
	<u>142,021</u>	<u>141,883</u>	<u>193,634</u>	<u>127,541</u>

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The following table sets out the ageing analysis of inventories as at the dates indicated:

	As at 31 December			As at 30 June 2023	Subsequent sales/ utilisation of 30 June 2023 inventories up to the Latest Practicable Date
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	<i>RMB'000</i>
0–30 days	93,457	104,906	146,023	83,494	77,298
31–60 days	13,705	19,844	19,149	24,017	22,389
61–90 days	14,651	6,678	10,926	8,986	7,913
91–180 days	11,005	7,658	13,008	12,671	10,935
181–365 days	10,425	7,793	8,750	3,099	2,513
Over 365 days	<u>4,541</u>	<u>2,831</u>	<u>1,874</u>	<u>921</u>	<u>850</u>
<b>Total</b>	<u><u>147,785</u></u>	<u><u>149,710</u></u>	<u><u>199,731</u></u>	<u><u>133,188</u></u>	<u><u>121,898</u></u>

Our inventories remained relatively stable at RMB141.9 million as at 31 December 2021 as compared to RMB142.0 million as at 31 December 2020, then increased to RMB193.6 million as at 31 December 2022, primarily attributable to the increase in automobiles by RMB49.5 million mainly due to the increase in inventories aged 0–30 days by RMB41.5 million attributable to the increase in automobile purchase in December 2022 as to take advantage of preferential tax benefit, which was set to expire by the end of 2022. Our inventories decreased from RMB193.6 million as at 31 December 2022 to RMB127.5 million as at 30 June 2023, mainly due to the increased automobile purchase in December 2022 as to take advantage of the aforesaid preferential tax benefit.

We monitor our inventories from time to time and strive to maintain an optimal inventory level of automobiles. We keep moving record of our inventory level with the aid of our IT systems and physical records. We conduct daily inspections of the physical condition of our inventories and monthly physical inventory stocktake to ensure the accuracy of our inventory record. During the Track Record Period, provision for inventories amounted to RMB5.8 million, RMB7.8 million, RMB6.1 million and RMB7.1 million, respectively, for automobiles with sufficient stock and decreased demand.

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The following table sets out the average inventory turnover days for our automobile retail and finance business for the years/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
Average inventory turnover days for automobile retail and finance lease business <sup>(Note)</sup>	96	54	58	53

*Note:* Average inventory turnover days was calculated using the average balances of inventories divided by cost of inventories for finance lease for the relevant year and multiplied by 365 days for the years ended 31 December 2020, 2021 and 2022, and 181 days for the six months ended 30 June 2023. Average balance of inventories is calculated as the sum of the beginning balance and the ending balance for the relevant year divided by two.

Our average inventory turnover days for automobile retail and finance 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 average inventory turnover days then decreased from 96 days for the year ended 31 December 2020 to 54 days for the year ended 31 December 2021, primarily due to the increase in cost of inventories for finance lease for the year ended 31 December 2021, as a result of the recovery of our sales of automobile under finance lease from the impact of COVID-19 in the PRC, while the inventory balance remained relatively stable as at 31 December 2020 and 2021. The average inventory turnover days increased to 58 days for the year ended 31 December 2022 which was primarily attributable to the increase in inventories as at 31 December 2022 as compared to that as at 31 December 2021 mainly resulted from the increase in purchase of automobiles in December 2022 as to take advantage of preferential tax benefit, which was set to expire by the end of 2022. The average inventory turnover days remained relatively stable at 53 days for the six months ended 30 June 2023.

As at the Latest Practicable Date, RMB121.9 million or 91.5% of our inventories outstanding as at 30 June 2023 were sold or utilised.

Our automobiles aged over 90 days mainly represented repossessed automobiles not yet leased or disposed. Repossessed automobiles generally have longer turnover days as these repossessed automobiles usually take longer time for us to release the pledging status in order to be leased or disposed.

Our Directors believe that automobiles are in general durable and not fast obsolete. As such, the inventories aged over 90 days as at 30 June 2023 that were not subsequently sold or utilised as at the Latest Practicable Date does not imply that such inventories are unable to be sold or utilised.

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### Finance lease receivables

Our finance lease receivables primarily consist receivables from our automobile finance leases business. Finance lease receivables is the gross finance lease receivables less (i) unearned finance income to be recognised over the lease period; and (ii) allowance for impairment of finance lease receivables. Gross finance lease receivables include both interests and principal amounts we expect to receive from our customers under finance lease contracts. Our finance lease receivables under our automobile finance leases are secured by the leased automobiles. At the end of the lease term, the ownership of the automobile will be transferred to our customers who purchased automobiles by way of direct finance lease upon settlement of all outstanding balances. The following table sets out our net finance lease receivables as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivables				
— Finance lease receivables, gross	1,278,712	1,668,105	1,842,123	1,935,517
— Unearned finance income	<u>(267,651)</u>	<u>(360,224)</u>	<u>(358,496)</u>	<u>(397,876)</u>
Finance lease receivables, net	1,011,061	1,307,881	1,483,627	1,537,641
Less: allowance for impairment of finance lease receivables	<u>(9,372)</u>	<u>(10,915)</u>	<u>(13,296)</u>	<u>(12,853)</u>
Carrying amount of finance lease receivables	<u>1,001,689</u>	<u>1,296,966</u>	<u>1,470,331</u>	<u>1,524,788</u>

Our finance lease receivables increased from RMB1,001.7 million as at 31 December 2020 to RMB1,297.0 million as at 31 December 2021, primarily attributable to the increase in the total number of finance lease agreements that were in effect which was mainly caused by the recovery of our sales of automobile under finance lease from the impact of the outbreak of COVID-19 in the PRC in 2020. Our finance lease receivables further increased to RMB1,470.3 million as at 31 December 2022, primarily due to the increased number of finance lease agreements that were in effect from 19,152 as at 31 December 2021 to 22,001 as at 31 December 2022. Our finance lease receivables increased from RMB1,470.3 million as at 31 December 2022 to RMB1,524.8 million as at 30 June 2023, primarily due to the increase in the total number of finance lease agreements that were in effect, mainly attributable to the recovery of our sales of automobile under finance lease from the adverse impact of the outbreak of COVID-19 in the PRC in 2022, our increased sales and marketing efforts and the opening of new self-operated sales outlets to grow our business.

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The following table sets out the breakdown of our finance lease receivables by current and non-current asset classification as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	622,386	832,569	910,270	930,433
Current assets	<u>379,303</u>	<u>464,397</u>	<u>560,061</u>	<u>594,355</u>
	<u>1,001,689</u>	<u>1,296,966</u>	<u>1,470,331</u>	<u>1,524,788</u>

The following table sets out the breakdown of net finance lease receivables by geographical location as at the dates indicated:

	2020		As at 31 December				As at 30 June	
	2020		2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Eastern PRC	435,225	43.0	524,325	40.1	587,622	39.6	582,648	37.9
Southern PRC	173,812	17.2	233,435	17.8	294,778	19.9	301,049	19.6
Southwestern PRC	174,472	17.3	210,415	16.1	217,881	14.7	225,719	14.7
Central PRC	103,659	10.3	150,554	11.5	163,759	11.0	174,843	11.4
Northern PRC	74,248	7.3	116,262	8.9	126,007	8.5	137,124	8.9
Northwestern PRC	37,619	3.7	57,488	4.4	73,184	4.9	88,918	5.8
Northeastern PRC	<u>12,026</u>	<u>1.2</u>	<u>15,402</u>	<u>1.2</u>	<u>20,394</u>	<u>1.4</u>	<u>27,339</u>	<u>1.7</u>
<b>Total</b>	<u>1,011,061</u>	<u>100.0</u>	<u>1,307,881</u>	<u>100.0</u>	<u>1,483,627</u>	<u>100.0</u>	<u>1,537,640</u>	<u>100.0</u>

The following table sets out the breakdown of net finance lease receivables by city tier as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tier one city	5,367	1,044	29,965	34,717
Tier two cities	848,324	1,121,293	1,241,026	1,286,198
Tier three and below cities	<u>157,370</u>	<u>185,544</u>	<u>212,636</u>	<u>216,725</u>
<b>Total</b>	<u>1,011,061</u>	<u>1,307,881</u>	<u>1,483,627</u>	<u>1,537,640</u>

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Our finance lease agreements generally have a term ranging from two to four years. The following table sets out the details of finance lease receivables as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivables, gross				
— Within one year	524,722	647,928	752,427	817,498
— Between one and two years	403,494	528,257	597,330	617,702
— Between two and five years	<u>350,496</u>	<u>491,920</u>	<u>492,366</u>	<u>500,317</u>
	<u>1,278,712</u>	<u>1,668,105</u>	<u>1,842,123</u>	<u>1,935,517</u>
Finance lease receivables, net				
— Within one year	383,816	469,316	566,894	601,124
— Between one and two years	318,039	409,520	479,080	494,025
— Between two and five years	<u>309,206</u>	<u>429,045</u>	<u>437,653</u>	<u>442,492</u>
	<u>1,011,061</u>	<u>1,307,881</u>	<u>1,483,627</u>	<u>1,537,641</u>

The following table sets out an ageing analysis based on due dates of our finance lease receivables, net as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Not past due	955,256	1,233,278	1,398,133	1,448,400
Past due				
Up to one month	38,020	54,337	60,501	62,167
One to three months	10,806	11,638	14,569	15,174
Three to six months	3,412	4,158	5,578	8,123
Six to twelve months	2,723	3,266	3,331	2,399
Over twelve months	<u>844</u>	<u>1,204</u>	<u>1,515</u>	<u>1,378</u>
Finance lease receivables, net	1,011,061	1,307,881	1,483,627	1,537,641
Less: allowance for impairment of finance lease receivables	<u>(9,372)</u>	<u>(10,915)</u>	<u>(13,296)</u>	<u>(12,853)</u>
Carrying amount of finance lease receivables	<u>1,001,689</u>	<u>1,296,966</u>	<u>1,470,331</u>	<u>1,524,788</u>



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We monitor all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. Our Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime credit loss provision for finance lease receivables. In considering the expected credit losses for finance lease receivable, our Group considers historical loss rates for each category of debtors and adjusts for forward-looking macroeconomic data. As a result of our risk management system, we had managed to maintain relatively low credit losses during the Track Record Period. As at 31 December 2020, 2021, 2022 and 30 June 2023, our non-performing asset ratios, were 0.7%, 0.7%, 0.7% and 0.8%, respectively. According to the CIC Report, the industry average non-performing asset ratios as at 31 December 2021 and 2022 were 1.5% and 2.0%, respectively. As such, our non-performing asset ratios as at 31 December 2021 and 2022 were lower than the industry average. As at 31 December 2020, 2021, 2022 and 30 June 2023, our allowance for impairment of finance lease receivables amounted to RMB9.4 million, RMB10.9 million, RMB13.3 million and RMB12.9 million, respectively.

The following table sets out our net finance lease receivables, the amount of net finance lease receivables that are past due and the corresponding past due ratios, and the amount of provision for credit losses and the corresponding coverage ratios as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	<i>(RMB'000, except for percentage)</i>			
Finance lease receivables, net	1,011,061	1,307,881	1,483,627	1,537,641
Allowance for impairment of finance lease receivables	9,372	10,915	13,296	12,853
Allowance to net finance lease receivables ratio <sup>(Note 1)</sup>	0.9%	0.8%	0.9%	0.8%
<b>Past due net finance lease receivables</b>				
Over one month	17,785	20,266	24,993	27,074
Over three months	6,979	8,628	10,424	11,900
Over six months	3,567	4,470	4,846	3,777
Over one year	844	1,204	1,515	1,378
<b>Past due ratio<sup>(Note 2)</sup></b>				
Over one month	1.8%	1.5%	1.7%	1.8%
Over three months	0.7%	0.7%	0.7%	0.8%
Over six months	0.4%	0.3%	0.3%	0.2%
Over one year	0.1%	0.1%	0.1%	0.1%
<b>Past due coverage ratio<sup>(Note 3)</sup></b>				
Over one month	52.7%	53.9%	53.2%	47.5%
Over three months	134.3%	126.5%	127.5%	108.0%
Over six months	262.7%	244.2%	274.4%	340.3%
Over one year	1,110.2%	906.5%	877.6%	932.9%

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*Notes:*

1. Represents allowance for impairment of finance lease receivables as at the end of that corresponding year/period divided by net finance lease receivables as at the end of that corresponding year/period.
2. Represents past due net finance lease receivables as at the end of that corresponding year/period divided by total net finance lease receivables as at the end of the corresponding year/period.
3. Represents allowance for impairment of finance lease receivables as at the end of that corresponding year/period divided by past due net finance lease receivables as at the end of that corresponding year/period.

We actively monitor historical past due ratio and continuously improve our data analytics capabilities, as well as execute post-lease management and loss recovery measures through our automobile monitoring platform and our patent-protected GPS tracking devices installed on all automobiles leased by us. Therefore, our past due ratios remained at a relatively low level. Our over one month past due ratio decreased from 1.8% as at 31 December 2020 to 1.5% as at 31 December 2021, primarily due to the increase by 28.4% in the total principal amount of finance lease agreements as at 31 December 2021 as compared to that as at 31 December 2020 mainly resulted from the strong recovery from the significant adverse effects caused by the outbreak of COVID-19 in the PRC in 2020; while the past due net finance lease receivables over one month only increased by 13.9% as at 31 December 2021 as compared to that as at 31 December 2020. Our over one month past due ratio then increased to 1.7% as at 31 December 2022, primarily due to the increase by 14.3% in the total principal amount of finance lease agreements as at 31 December 2022 as compared to 31 December 2021 mainly resulted from our organic growth of our business; while the past due net finance lease receivables for over one month increased by 23.3% as at 31 December 2022 as compared to that as at 31 December 2021. Our over one month past due ratio remained at a relatively low level as at 31 December 2020, 2021, 2022 and 30 June 2023. Our over three months past due ratio, over six months past due ratio and over one year past due ratio were below 1% as at 31 December 2020, 2021, 2022 and 30 June 2023.

Our over one month past due coverage ratio remained relatively stable at 52.7%, 53.9% and 53.2% as at 31 December 2020, 2021 and 2022. Our over one month past due coverage ratio decreased to 47.5% as at 30 June 2023, mainly due to the increase in finance lease receivables being over due for over one month.

Our over three months past due coverage ratio decreased from 134.3% as at 31 December 2020 to 126.5% as at 31 December 2021, mainly attributable to the increase in our allowance for impairment of finance lease receivables by 16.5%; while our past due finance lease receivables for over three months increased by 23.6% as at 31 December 2021 as compared to 31 December 2020. Our over three months past due coverage ratio remained relatively stable at 127.5% as at 31 December 2022. Our over three months past due coverage ratio decreased to 108.0% as at 30 June 2023, mainly due to the increase in finance lease receivables being over due for over three months.

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Our over six months past due coverage ratio decreased from 262.7% as at 31 December 2020 to 244.2% as at 31 December 2021 and our over one year past due coverage ratio decreased from 1,110.2% as at 31 December 2020 to 906.5% as at 31 December 2021, mainly due to the increase in our finance lease receivables being overdue for more than six months and over one year. Our over six months past due coverage ratio then increased to 274.4% as at 31 December 2022, primarily due to the increase in our provision for our finance lease receivables and partially offset by the increase in our finance lease receivables being overdue for more than six months. Our over six months past due coverage ratio increased to 340.3% as at 30 June 2023 as compared to that as at 31 December 2022, mainly due to the decrease in our finance lease receivables being overdue for more than six months, partially offset by the decrease in our provision for our finance lease receivables as at 30 June 2023. Our over one year past due coverage ratio decreased from 906.5% as at 31 December 2021 to 877.6% as at 31 December 2022, primarily due to the increase in our finance lease receivables being overdue for over one year. Our over one year past due coverage ratio increased to 932.9% as at 30 June 2023 as compared to that as at 31 December 2022, mainly due to the decrease in our finance lease receivables being overdue for over one year, and partially offset by the decrease in our provision for our finance lease receivables as at 30 June 2023.

As at the Latest Practicable Date, RMB332.3 million or 17.2% of our finance lease receivables as at 30 June 2023 had been settled. The low subsequent settlement was mainly because the majority of the lease payments were not yet due as at the Latest Practicable Date. Our finance lease receivables were settled by our customers according to the payment schedule under the finance lease agreements which generally have a term ranging from two to four years, and we have made sufficient allowance for impairment of finance lease receivables to cover the potential customers’ default, therefore there is no major recoverability issue.

### Trade receivables

Our trade receivables represent receivables from our automobile-related services. The following table sets out our trade receivables as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	7,106	7,026	10,567	6,858
Less: allowance for impairment of trade receivables	<u>(269)</u>	<u>(285)</u>	<u>(627)</u>	<u>(849)</u>
	<u>6,837</u>	<u>6,741</u>	<u>9,940</u>	<u>6,009</u>

Our trade receivables remained stable at RMB6.7 million as at 31 December 2021 as compared to RMB6.8 million as at 31 December 2020. Our trade receivables then increased to RMB9.9 million as at 31 December 2022, primarily attributable to the trade receivables

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for the promotion service we provided to one of our business-end customers in November and December 2022. Our trade receivables decreased to RMB6.0 million as at 30 June 2023, primarily due to the promotion service provided to one of our business-end customers in November and December 2022 has completed in the six months ended 30 June 2023.

The table sets out an ageing analysis of our trade receivables (net of allowance for impairment of trade receivables) based on invoice date as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to three months	6,572	6,591	9,052	5,189
Three to six months	51	108	445	478
Over six months	<u>214</u>	<u>42</u>	<u>443</u>	<u>342</u>
	<u>6,837</u>	<u>6,741</u>	<u>9,940</u>	<u>6,009</u>

Trade receivables were non-interest bearing and generally on 15 to 30 days terms. We normally assess and approve credit terms on a case by case basis. Our Group used a simplified approach for measuring the expected credit losses, which used a lifetime expected loss allowance for all trade receivables. As at 31 December 2020, 2021, 2022 and 30 June 2023, our allowance for impairment of trade receivables amounted to RMB0.3 million, RMB0.3 million, RMB0.6 million and RMB0.8 million, respectively.

The following table sets out our average trade receivables turnover days for the years/period indicated:

	For the year ended 31 December			For the
	2020	2021	2022	six months
				ended
				30 June
				2023
Average trade receivables turnover days <sup>(Note)</sup>	<u>15</u>	<u>16</u>	<u>21</u>	<u>21</u>

*Note:* Average trade receivables turnover days was calculated using the average balance of trade receivables divided by revenue from automobile-related businesses for the relevant year and multiplied by 365 days for the years ended 31 December 2020, 2021, 2022, and 181 days for the six months ended 30 June 2023. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant year/period divided by two.

Our average trade receivables turnover days were 15 days, 16 days, 21 days and 21 days for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our average trade receivables turnover days remained stable at 16 days for the year ended 31 December 2021 as compared to 15 days for the year ended 31 December 2020,

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then increased to 21 days for the year ended 31 December 2022, mainly due to the trade receivables for the promotion service we provided to one of our business-end customers in November and December 2022. Our average trade receivables turnover days remained relatively stable at 21 days for the six months ended 30 June 2023.

As at the Latest Practicable Date, RMB5.0 million or 72.3% of our trade receivables outstanding as at 30 June 2023 had been settled.

### Prepayment, deposits and other receivables

Our prepayment, deposits and other receivables mainly consisted of other tax recoverable, prepayment for auto-insurance premium, deposits and prepayment for inventories. Other tax recoverable refers to the input taxes paid that are deductible during the year/period pursuant to relevant tax laws in the PRC. The amount of input taxes are determined with reference to the applicable VAT tax rate in effect during the year/period when the purchase from suppliers and the periodic lease payments are made. Prepaid [REDACTED] expenses refer to the prepayment of equity portion of the [REDACTED] expenses which will be capitalised in equity upon [REDACTED]. The following table sets out a breakdown of our prepayment, deposits and other receivables as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>				
<b>Non-current assets:</b>				
Deposits	<u>20,646</u>	<u>13,037</u>	<u>32,157</u>	<u>38,409</u>
	<u>20,646</u>	<u>13,037</u>	<u>32,157</u>	<u>38,409</u>
<b>Current assets:</b>				
Deposits	13,427	24,274	18,528	17,305
Purchase rebate receivables	5,641	2,811	4,880	1,930
Value added tax refund receivables	10,214	13,222	11,309	12,039
Other receivables	<u>21,478</u>	<u>28,001</u>	<u>28,882</u>	<u>29,970</u>
	50,760	68,308	63,599	61,244
Less: allowance on impairment of other receivables	<u>(683)</u>	<u>(262)</u>	<u>(278)</u>	<u>(323)</u>
	50,077	68,046	63,321	60,921
Total financial assets	<u>70,723</u>	<u>81,083</u>	<u>95,478</u>	<u>99,330</u>

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	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
<b>Non-financial assets</b>				
<b>Current</b>				
Prepayment for inventories	41,813	61,217	62,232	39,669
Prepayment for auto-insurance premium	26,338	31,199	42,499	35,566
Prepaid <b>[REDACTED]</b> expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid expenses	18,105	22,400	20,317	21,259
Other tax recoverable	94,570	55,988	70,823	83,334
Other receivables	<u>1,238</u>	<u>1,205</u>	<u>1,603</u>	<u>1,541</u>
Total non-financial assets	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total prepayments, deposits and other receivables	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

As at the Latest Practicable Date, RMB25.2 million or 30.2% of our other tax recoverable as at 30 June 2023 had been subsequently utilised.

As at the Latest Practicable Date, RMB37.4 million or 94.4% of our prepayment for inventories as at 30 June 2023 had been utilised.

As at the Latest Practicable Date, RMB119.7 million or 41.6% of total prepayments, deposits and other receivables as at 30 June 2023 had been utilised.

Our prepayments, deposits and other receivables decreased from RMB259.1 million as at 31 December 2020 to RMB257.6 million as at 31 December 2021. Such decrease was primarily due to (i) the decrease in other tax recoverable under current non-financial assets by RMB38.6 million as a result of the increased VAT tax paid; and partially offset by (ii) the increase in prepayment for inventories under current non-financial assets by RMB19.4 million.

Our prepayments, deposits and other receivables increased from RMB257.6 million as at 31 December 2021 to RMB298.1 million as at 31 December 2022. Such increase was primarily due to (i) the increase in other tax recoverable under non-financial assets by RMB14.8 million resulted from the increase in our new automobile sales under finance lease during December 2022 as compared to the corresponding month in 2021; and (ii) the increase in prepayment for auto-insurance premium by RMB11.3 million mainly due to the increase in the number of automobiles for our operating lease and finance lease businesses as at 31 December 2022 as compared to that as at 31 December 2021. Our prepayments, deposits and other receivables decreased from RMB298.1 million as at 31 December 2022 to RMB287.7 million as at 30 June 2023, primarily due to (i) the decrease in prepayment for



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automobile purchase by RMB22.6 million as at 30 June 2023 as compared to that as at 31 December 2022; and partially offset by (ii) the increase in other tax recoverable as a result of the decreased VAT tax paid.

### Financial assets at fair value through profit or loss

We have established investment policies, namely Investment Management Policy (投資管理制度), to monitor and manage our investment activities, and control the risks relating to the purchase of financial assets. Our Investment Management Policy sets out the guidelines for the types of investment assets we invest in, including equity investment and non-equity investment. Our Investment Management Policy sets out the criteria for the selection of investment targets, the maximum amount of investment committed for different level of investment decisions, and the level of the senior management team to approve the investment decision. Before the investment, the investment project leader, and the leader of the finance team review the terms of the relevant assets prudently, consider all information available, and apply various applicable valuations in determining whether to invest in the relevant assets. We mainly invest in equity assets or principal-protected non-equity assets such as bonds or assets backed securities. For our investments prior to the [REDACTED], we normally require shareholder’s approval unless the assets or profit ratio of such investment as compared with that of the Group is less than 10% or the assets or profit of such investment is less than a certain amount, where the Board could delegate the investment decision to the general manager.

During the Track Record Period, our financial assets at fair value through profit or loss represented the asset-backed securities units we acquired from Sinolink Securities Company Limited and the interest we acquired in Hangzhou Jinmuji New Energy Technology Partnership (Limited Partnership)\* (杭州金木吉新能源科技合夥企業(有限合夥)) (“**Hangzhou Jinmuji**”).

Sinolink Securities Company Limited, a trust firm, has established the asset-back securities plan of Sinolink — Automobile Consumption III. According to the arrangement, Sinolink Securities Company Limited shall use the funds raised in the special plan to purchase our Group’s underlying assets, which in particular, include the claims that our Group has towards our automobile lessees and relevant security interests attached to the claims. Our Group, as one of the original stakeholders of such underlying assets, shall pay the balance amount to Sinolink Securities Company Limited at a rate of approximately 9.8% per year. On 31 March 2021, we acquired 80,000 units of asset-backed securities from Sinolink Securities Company Limited. We sold 20,000 units of asset-backed securities during the year ended 31 December 2021. The remaining 60,000 units of asset-backed securities were redeemed during the year ended 31 December 2022. We recorded fair value loss on revaluation of the asset-backed securities of RMB8,000 and fair value gain of RMB351,000 for the years ended 31 December 2021 and 2022, respectively.

In 2021, we acquired an interest in Hangzhou Jinmuji, in which we had 33.33% equity interest, to engage in investment in electric car charging ports. Hangzhou Jinmuji was incorporated in the PRC and has its principal place of business in the PRC. Hangzhou

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Jinmuji has a finite life of 7 years. Please refer to note 23 to Accountant’s Report as set out in Appendix I for more details. The table below sets out the changes in these assets as at the dates indicated:

	Year ended 31 December		Six months ended
	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year/period			
— Asset-backed securities	8,000	5,992	—
— Interest in a partnership	<u>20,000</u>	<u>20,000</u>	<u>21,647</u>
	28,000	25,992	21,647
Disposal of financial assets at fair value through profit or loss	(2,000)	(6,343)	—
Fair value (loss)/gain on revaluation recognised in profit or loss	<u>(8)</u>	<u>1,998</u>	<u>861</u>
At the end of year/period	<u><u>25,992</u></u>	<u><u>21,647</u></u>	<u><u>22,508</u></u>

After [REDACTED], the investment in such financial assets may constitute notifiable transactions under Chapter 14 of the Listing Rules and we shall comply with the relevant requirements under the Listing Rules.

### Trade payables

Our trade and bills payables mainly represent payable for acquisition of our automobiles and vehicle telematics equipment. The following table sets out our trade and bills payables as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	22,215	58,463	64,493	37,432
Bills payables	<u>19,350</u>	<u>10,000</u>	<u>41,367</u>	<u>10,884</u>
	<u><u>41,565</u></u>	<u><u>68,463</u></u>	<u><u>105,860</u></u>	<u><u>48,316</u></u>

Our trade payables increased from RMB41.6 million as at 31 December 2020 to RMB68.5 million as at 31 December 2021, primarily due to the increase in purchase of automobiles near the year end of 2021 to grow our automobile retail and finance, and operating lease business. Our trade and bills payables increased from RMB68.5 million as at 31 December 2021 to RMB105.9 million as at 31 December 2022, primarily owing to the

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increase in purchase of automobiles as to take advantage of the preferential tax benefit, which was set to expire by the end of 2022. Our trade and bills payables decreased from RMB105.9 million as at 31 December 2022 to RMB48.3 million as at 30 June 2023, primarily due to the decrease in trade and bills payables for automobile purchase as at 30 June 2023 as compared to that as at 31 December 2022.

The average credit period taken for trade purchases was generally 30 to 90 days. The following table sets out our average trade payables turnover days for the years/period indicated:

	<b>For the year ended 31 December</b>			<b>For the six months ended 30 June 2023</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Average trade payables turnover days <sup>(Note)</sup>	36	32	53	45

*Note:* Average trade and bills payables turnover days was calculated using the average balance of trade and bills payables divided by cost of inventories for the relevant year/period and multiplied by 365 days for the years ended 31 December 2020, 2021, 2022, and 181 days for the six months ended 30 June 2023. Average balance of trade and bills payables is calculated as the sum of the beginning and the ending balance for the relevant year/period divided by two.

Our average trade payables turnover days were 36 days, 32 days, 53 days and 45 days for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Our average trade payables turnover days slightly decreased from 36 days for the year ended 31 December 2020 to 32 days for the year ended 31 December 2021, primarily due to the decrease in the average balance of trade and bills payables for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020. Our average trade payables turnover days increased from 32 days for the year ended 31 December 2021 to 53 days for the year ended 31 December 2022, mainly due to the increase in the average balance of trade and bills payables for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021. Our average trade payables turnover days decreased from 53 days for the year ended 31 December 2022 to 45 days for the six months ended 30 June 2023, mainly due to the decrease in the average balance of trade and bills payables for the six months ended 30 June 2023 as compared to that for the year ended 31 December 2022.

As at the Latest Practicable Date, RMB46.4 million or 96.0% of our trade payables outstanding as at 30 June 2023 had been settled.

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### Other payables and accruals

Our other payables and accruals mainly represented (i) guarantee deposit from lessees; (ii) staff costs and welfare accruals; (iii) advance receipt from potential customers; and (iv) other tax payables. The following table sets out a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee deposit from lessees	30,760	26,810	18,688	30,715
Staff costs and welfare accruals	11,645	14,225	21,601	18,398
Advance receipt from potential customers	7,793	10,956	7,223	7,042
Other tax payables	6,035	6,348	6,079	3,964
Advance receipt from scrap sales of inventories	4,487	5,149	6,083	6,550
Dividend payable	9,688	3,365	3,365	3,365
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contract liabilities	1,998	1,644	910	392
Others	7,923	7,359	9,679	10,866
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Our other payables and accruals decreased from RMB83.1 million as at 31 December 2020 to RMB78.5 million as at 31 December 2021. Such decrease was primarily due to (i) the decrease in guarantee deposit from lessees by RMB4.0 million as a result of refund of guarantee deposit from lessees upon completion of contracts; and (ii) the decrease in dividend payable by RMB6.3 million; and partially offset by (iii) the increase in advance receipt from potential customers by RMB3.2 million; and (iv) the increase in staff cost and welfare accruals by RMB2.6 million, mainly attributable to the increase in the year end bonus payable to our staff resulted from the growth of our business for the year ended 31 December 2021 as compared to the year ended 31 December 2020.

Our other payables and accruals increased from RMB78.5 million as at 31 December 2021 to RMB78.9 million as at 31 December 2022, primarily due to (i) the increase in staff costs and welfare accruals by RMB7.4 million mainly resulted from the increase in the sales commission for our increased sales of automobiles under finance lease at the year end; (ii) the increase in accrued [REDACTED] expenses by RMB[REDACTED] million; and partially offset by (iii) the decrease in guarantee deposit from lessees by RMB8.1 million mainly resulted from the decrease in the average number of the operating lease agreements in effect from 4,191 for the year ended 31 December 2021 to 3,614 for the year ended 31 December 2022, respectively.

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Our other payables and accruals increased to RMB87.0 million as at 30 June 2023, primarily due to the increase in guarantee deposit from lessees mainly resulted from the increase of the number of operating lease agreements in effect from 2,911 as at 31 December 2022 to 4,126 as at 30 June 2023.

We had dividend payable of RMB3.4 million as at 30 June 2023, which will be settled prior to [REDACTED].

### Amounts due to Shareholders

Our amounts due to Shareholders amounted to RMB7.7 million, RMB7.5 million, RMB8.2 million and RMB8.4 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. Our amounts due to Shareholders arose from the transfer of the equity interest of XXF Group as a result of Reorganisation. Amounts due to Shareholders were unsecured, interest-free, non-trade in nature, repayable on demand and will be settled before [REDACTED].

### Amounts due from Shareholders

Our amount due from Shareholders amounted to RMB5.7 million, RMB5.6 million, RMB6.1 million and RMB6.3 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. Our amount due from Shareholders represented amount due from shareholders for the transfer of the equity interests of XXF Group as a result of Reorganisation. Such balance was unsecured, interest-free, non-trade in nature and repayable on demand. Our amount due from Shareholders will be settled before [REDACTED].

### Investment in a partnership

In 2021, the Group acquired the interest in Hangzhou Jinmuji, in which the Group had 33.33% equity interest, to engage in investment in electric car charging ports. Hangzhou Jinmuji was incorporated in the PRC and has its principal place of business in the PRC. Hangzhou Jinmuji had a finite life of 7 years. As at 30 June 2023, the fair value of the Group’s interest in Hangzhou Jinmuji amounted to RMB22.5 million.

## CAPITAL COMMITMENTS

As at 31 December 2020, 2021, 2022 and 30 June 2023, we had no capital commitments.

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### INDEBTEDNESS

The following table sets out the breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at	As at
	2020	2021	2022	30 June	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
					(unaudited)
Borrowings	1,155,958	1,382,822	1,713,415	1,857,860	1,816,877
Ordinary shares with redemption right	177,886	196,640	163,129	120,611	119,656
Lease liabilities	<u>19,161</u>	<u>14,305</u>	<u>13,856</u>	<u>13,619</u>	<u>12,934</u>
Total	<u><u>1,353,005</u></u>	<u><u>1,593,767</u></u>	<u><u>1,890,400</u></u>	<u><u>1,992,090</u></u>	<u><u>1,949,467</u></u>

### Borrowings

Our borrowings are incurred primarily to finance our business operation. The following table sets out a breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at	As at
	2020	2021	2022	30 June	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
					(unaudited)
Bank borrowings, secured	8,977	13,430	23,077	31,115	31,248
Bank borrowings, unsecured	9,527	22,610	16,182	6,488	4,273
Other borrowings, secured	1,135,954	1,337,537	1,609,668	1,771,565	1,733,717
Other borrowings, unsecured	<u>1,500</u>	<u>9,245</u>	<u>64,488</u>	<u>48,692</u>	<u>47,639</u>
	1,155,958	1,382,822	1,713,415	1,857,860	1,816,877
Less: non-current portion	<u>(447,380)</u>	<u>(656,219)</u>	<u>(884,842)</u>	<u>(947,975)</u>	<u>(938,122)</u>
Current portion	<u><u>708,578</u></u>	<u><u>726,603</u></u>	<u><u>828,573</u></u>	<u><u>909,885</u></u>	<u><u>878,755</u></u>

As at 31 December 2020, 2021, 2022 and 30 June 2023 and 31 August 2023, our Group’s borrowings are primarily denominated in RMB. We may be subject to certain restrictions in connection with our borrowings. For details, please see the section headed “Business — Our Lenders and Funding Capabilities — Events of default.” We have capital



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management measures in place to monitor our funding requirements and the restrictions. We consider our capital management measures to have been effective in managing liquidity risk.

The following table sets out the repayment dates of our borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 August
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Within one year	708,578	726,603	828,573	909,885	878,755
Between one and two years	302,828	367,118	510,668	534,378	531,764
Between two and five years	<u>144,552</u>	<u>289,101</u>	<u>374,174</u>	<u>413,597</u>	<u>406,357</u>
	<u>1,155,958</u>	<u>1,382,822</u>	<u>1,713,415</u>	<u>1,857,860</u>	<u>1,816,877</u>

The weighted average effective interest rates of borrowings as at 31 December 2020, 2021, 2022 and 30 June 2023 are as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
Weighted average effective interest rate	<u>8.5%</u>	<u>8.5%</u>	<u>8.6%</u>	<u>8.5%</u>

Our weighted average effective interest rates of borrowings is calculated by the average effective interest rate of the borrowings, weighted by the corresponding ending balance of each borrowing as at each year end, which remained relatively stable during the Track Record Period.

As at 31 December 2020, 2021, 2022 and 30 June 2023, and 31 August 2023, our borrowings of RMB1,144.9 million, RMB1,351.0 million, RMB1,632.7 million, RMB1,802.7 million and RMB1,067.2 million were secured by personal guarantee and indemnity provided by our Directors, 50% equity interest in Fujian Xidi and certain assets of our Group. As at 31 August 2023, being the latest practicable date for the purpose of indebtedness statement, our borrowings of RMB1,067.2 million secured by personal guarantee and indemnity provided by Directors, of which RMB808.9 million will be released prior to our [REDACTED].

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As at 31 December 2020, 2021, 2022 and 30 June 2023, finance lease receivables amounted to RMB787.3 million, RMB1,227.6 million, RMB1,358.2 million and RMB1,498.7 million was pledged as collaterals for our borrowings. As at 31 August 2023, being the latest practicable date for the purpose of indebtedness statement, the finance lease receivables available for utilisation in obtaining additional borrowings was RMB67.2 million.

As at 31 August 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate facilities of RMB4,909.8 million, of which RMB3,991.1 million was unutilised. Among the aggregate facilities of RMB4,909.8 million, aggregate facilities of RMB254.8 million was secured by personal guarantee and indemnity provided by our Directors, of which RMB115.9 million was unutilised.

### **Ordinary shares with redemption right**

On 28 November 2019, as part of the Reorganisation, XXF HK acquired 55,422,656 ordinary shares of XXF Group from Beijing Chesheng and Zhuhai Wanhe at RMB1.00 per share. On 2 December 2019, our Company issued an aggregate of 55,422,656 ordinary Shares with redemption right at the same consideration. As a result, ordinary shares with redemption right issued by XXF Group were converted into 55,422,656 ordinary shares with redemption right issued by our Company at par value of HK\$0.01 per share at no consideration.

On 2 December 2019, our Company issued and allotted 6,821,250 ordinary Shares to Hit Drive Limited, an offshore holding vehicle of Beijing Chesheng, with redemption right at a total consideration of RMB20.0 million. On 10 June 2021, we entered into an agreement with the [REDACTED] Investor 1 whereby our Company issued and allotted 6,945,273 ordinary shares with redemption right at RMB2.88 per share totaling RMB20,000,000 as partial settlement of the other borrowings of RMB70.8 million due to the [REDACTED] Investor 1. The issuance price is approximated to the fair value of the ordinary shares with redemption right.

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. As at 31 December 2020, 2021, 2022 and 30 June 2023, fair value of the ordinary shares with redemption right amounted to RMB177.9 million, RMB196.6 million, RMB163.1 million and RMB120.6 million respectively, resulting in (i) a fair value loss of RMB6.9 million, RMB4.2 million and a fair value gain of RMB47.3 million and RMB46.3 million for the corresponding year/period; (ii) exchange loss arising from translation of RMB11.0 million and RMB5.4 million for the years ended 31 December 2020 and 2021, exchange gain arising from translation of RMB16.2 million and RMB3.6 million for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively.

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For the year ended 31 December 2022, due to the impact of the regional outbreaks of COVID-19 variants in the PRC and the fluctuation of the capital market environment, we have adopted a more prudent expected long term growth rate which in turn lowered the estimate of the equity value. In the valuation of our Group, the independent valuer has taken into account of the economic condition in China in general during the six months ended 30 June 2023. As such, the value of ordinary shares with redemption right has declined after applying the equity allocation model. Accordingly, the fair value gain of RMB47.3 million and RMB46.3 million was recognised for the year ended 31 December 2022 and the six months ended 30 June 2023.

The table below sets out the details of changes in our ordinary shares with redemption right for the years/period indicated and the value as at the dates indicated:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year/ period	181,966	177,886	196,640	163,129
Issuance of ordinary shares with redemption right	—	20,000	—	—
Changes in fair value through profit or loss	6,932	4,153	(47,251)	(46,335)
Change in fair value due to own credit risk	—	—	(2,432)	203
Exchange difference arising from translation	<u>(11,012)</u>	<u>(5,399)</u>	<u>16,172</u>	<u>3,614</u>
At the end of year/period	177,886	196,640	163,129	120,611
Less: non-current portion	<u>(177,886)</u>	<u>—</u>	<u>—</u>	<u>(70,948)</u>
Current portion	<u>—</u>	<u>196,640</u>	<u>163,129</u>	<u>49,663</u>

### Lease liabilities

We record lease liabilities with respect to all lease agreements in which we were the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

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The following table sets out our lease liabilities as at the dates indicated:

	<b>As at 31 December</b>			<b>As at 30 June 2023</b>	<b>As at 31 August 2023</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	6,419	5,781	6,087	5,762	5,708
Non-current	<u>12,742</u>	<u>8,524</u>	<u>7,769</u>	<u>7,857</u>	<u>7,226</u>
	<u>19,161</u>	<u>14,305</u>	<u>13,856</u>	<u>13,619</u>	<u>12,934</u>

Our Group leased various properties and the lease liabilities were measured at the present value of the lease payments that are not yet paid. As at 31 December 2020, 2021, 2022 and 30 June 2023, we recorded lease liabilities of approximately RMB19.2 million, RMB14.3 million, RMB13.9 million and RMB13.6 million, respectively. The decrease from RMB19.2 million as at 31 December 2020 to RMB14.3 million as at 31 December 2021, RMB13.9 million as at 31 December 2022 and RMB13.6 million as at 30 June 2023, was primarily due to the decrease in our newly entered properties lease agreements for the use as our offices.

### Contingent liabilities

As at 31 August 2023, we had no material contingent liabilities.

Apart from intra-group liabilities, as at indebtedness date, being the latest practicable date for the purpose of the indebtedness statement for this document, we did not have any outstanding loan capital issued or agreed to be issued, loans, debt securities, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

### OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

### TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set out in note 35 to the Accountant’s Report in Appendix I to this document, our Directors confirm that these transactions were conducted on an arm’s length basis and carried out in the normal course of business.

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### KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years/period as at each of the dates indicated:

	For the year ended 31 December			For the six months ended 30 June 2023
	2020	2021	2022	
Gross profit margin (%) <sup>(1)</sup>	40.5	30.9	32.8	32.8
Net profit margin (%) <sup>(2)</sup>	1.4	2.6	6.8	10.4
Return on equity (%) <sup>(3)</sup>	2.5	6.9	15.2	11.0
Return on total assets (%) <sup>(4)</sup>	0.5	1.4	3.0	2.3
				<b>As at 30 June 2023</b>
	<b>As at 31 December</b>			
	2020	2021	2022	
Current ratio (times) <sup>(5)</sup>	0.9	0.9	1.0	1.1
Quick ratio (times) <sup>(6)</sup>	0.8	0.7	0.9	1.0
Gearing ratio (%) <sup>(7)</sup>	74.0	74.8	75.1	74.6
Risk assets to equity ratio (times) <sup>(8)</sup>	4.6	4.8	4.7	4.4
Non-performing asset ratio (%) <sup>(9)</sup>	0.7	0.7	0.7	0.8
Allowance coverage ratio for non-performing assets (%) <sup>(10)</sup>	134.3	126.5	127.5	108.0
Ratio of allowance for impairment losses to net finance lease receivables (%) <sup>(11)</sup>	0.9	0.8	0.9	0.8
Capital adequacy ratio <sup>(12)</sup>	83.8%	83.1%	84.9%	89.3%
Liquidity ratio (due in one month) <sup>(13)</sup>	142.3%	118.1%	116.2%	115.8%

*Notes:*

- (1) Gross profit margin represents gross profit divided by revenue for the respective year and multiplied by 100%. See “Financial Information — Review of Historical Results of Operation” for more details on our gross profit margin.
- (2) Net profit margin represents profit for the respective year divided by revenue for the respective year and multiplied by 100%. See “Financial Information — Review of Historical Results of Operation” for more details on our net profit margin.
- (3) Return on equity represents profit for the respective year/period divided by the total equity as at the respective dates and multiplied by 100%.

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- (4) Return on total assets represents profit for the respective year/period divided by the total assets as at the respective dates and multiplied by 100%.
- (5) Current ratio represents total current assets divided by the total current liabilities as at the respective dates.
- (6) Quick ratio represents total current assets less inventories divided by the total current liabilities as at the respective dates.
- (7) Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, and lease liabilities) less cash and cash equivalents. We do not consider the amount of ordinary shares with redemption right when calculating net debt. Total capital is calculated as ‘total equity’ as shown in the consolidated statement of financial position plus net debt.
- (8) Risk assets to equity ratio represents risk assets divided by total equity as at the respective dates. Risk assets are the total amount of residual assets determined by deducting cash, bank deposit, PRC treasury securities and entrusted leased assets from the total assets.
- (9) Non-performing asset ratio represents the percentage of non-performing assets in the total finance lease receivables, net, before deducting allowance for impairment of finance lease receivables.
- (10) Allowance coverage ratio for non-performing assets represents allowance for impairment of finance lease receivables divided by the balance of non-performing assets.
- (11) Ratio of allowance for impairment losses to net finance lease receivables represents allowance for impairments of finance lease receivables divided by the amount of net finance lease receivables as at the respective dates.
- (12) Capital adequacy ratio represents total capital divided by risk assets as at the respective dates. Total capital is calculated as ‘total equity’ as shown in the consolidated statement of financial position plus net debt. Net debt is calculated as total borrowings (including “borrowings and lease liabilities” as shown in the consolidated statement of financial position) less cash and cash equivalents. Risk assets are the total amount of residual assets determined by deducting cash, bank deposit, PRC treasury securities and entrusted leased assets from the total assets.
- (13) Liquidity ratio due in one month represents finance lease receivables due in one month divided by relevant borrowings under the automobile retail and finance segment as at the respective dates.

### **Return on equity**

Our return on equity increased from 2.5% for the year ended 31 December 2020 to 6.9% for the year ended 31 December 2021 and 15.2% for the year ended 31 December 2022, primarily driven by the increase in net profit for the year ended 31 December 2021 and 2022, as compared to the year ended 31 December 2020 and 2021, respectively.

### **Return on total assets**

Our return on total assets increased from 0.5% for the year ended 31 December 2020 to 1.4% and 3.0% for the year ended 31 December 2021 and 2022, primarily driven by the increase in net profit for the year ended 31 December 2021 and 2022, as compared to the year ended 31 December 2020 and 2021, respectively.



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### **Current ratio**

Our current ratio remained relatively stable at 0.9 times, 0.9 times, 1.0 times and 1.1 times as at 31 December 2020, 2021, 2022 and 30 June 2023.

### **Quick ratio**

Our quick ratio remained relatively stable at 0.8 times, 0.7 times, 0.9 times and 1.0 times as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

### **Gearing ratio**

Our gearing ratio remained relatively stable at 74.0%, 74.8%, 75.1% and 74.6% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

### **Risk assets to equity ratio**

On 26 May 2020, the CBIRC promulgated the Interim Measures for the Supervision and Administration of Finance Lease Companies (《融資租賃公司監督管理暫行辦法》) (the “Interim Measures”) with the immediate effect, which made supplement and further requirements for finance lease enterprises on the basis of Measures for Finance Lease Enterprises. Under the Interim Measures, the total amount of risk assets of finance lease companies shall not exceed eight times of their net assets (total equity).

Our risk assets to equity ratio remained relatively stable at 4.6 times, 4.8 times, 4.7 times and 4.4 times as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

### **Non-performing asset ratio**

Our non-performing asset ratio remained stable at 0.7%, 0.7%, 0.7% and 0.8% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. According to the CIC Report, the industry average non-performing asset ratios as at 31 December 2021 and 2022 were 1.5% and 2.0%, respectively. As such, our non-performing asset ratios as at 31 December 2021 and 2022 were lower than the industry average. As at the Latest Practicable Date, our non-performing asset ratio was 0.8%. Our non-performing asset is defined as finance lease receivables that is overdue for three months or more.

### **Allowance coverage ratio for non-performing assets**

Our allowance coverage ratio for non-performing assets was 134.3%, 126.5% and 127.5% as at 31 December 2020, 2021 and 2022, respectively, primarily due to the increase in finance lease receivables being overdue for over three months. Our allowance coverage ratio for non-performing assets decreased to 108.0% as at 30 June 2023, mainly due to the increase in finance lease receivables being over due for over three months.

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### **Ratio of allowance for impairment losses to finance lease receivables, net**

Our ratio of allowance for impairment losses to net finance lease receivables remained relatively stable at 0.9%, 0.8%, 0.9% and 0.8% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

### **Capital adequacy ratio**

Our capital adequacy ratios were at 83.8%, 83.1%, 84.9% and 89.3% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

### **Liquidity ratio due in one month**

Our liquidity ratio due in one month decreased from 142.3% as at 31 December 2020 to 118.1% as at 31 December 2021, mainly due to the increased borrowings under the automobile retail and finance segment which was due in one month as at the respective dates. Our liquidity ratio due in one month remained relatively stable at 116.2% and 115.8% as at 31 December 2022 and 30 June 2023.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to a variety of financial risk including market risk (including currency risk and cash flow and fair value interest risk), credit risk and liquidity risk. Details of the risks to which we are exposed are set out in note 3 to the Accountant’s Report in Appendix I to this document.

## **DIVIDENDS AND DIVIDEND POLICY**

Our Company did not declare any dividend during the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. The foregoing should not be viewed as basis to determine the level of dividends that may be declared in the future. After the completion of the [REDACTED], our Shareholders will be entitled to receive dividends only when declared by our Board.

Our Directors may recommend a payment of dividends in the future after taking into account, among others, our operation and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declaration of dividends and will be at the absolute discretion of the Board. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

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There will be no assurance that we will be able to declare or distribute any dividend after completion of the [REDACTED], and as at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratio.

### DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company had no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

### [REDACTED] EXPENSES

Our [REDACTED] expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED]. [REDACTED] expenses in connection with the [REDACTED] consist primarily of [REDACTED] and professional fees. We estimate that total expenses in relation to the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], and no exercise of the [REDACTED]) will be RMB[REDACTED] million, comprising (a) [REDACTED] of approximately RMB[REDACTED] million; (b) sponsor fees of RMB[REDACTED] million; and (c) non-[REDACTED] related expenses of approximately RMB[REDACTED] million, including (1) fees and expenses of legal advisers and the Reporting Accountant of approximately RMB[REDACTED] million; and (2) other fees and expenses of approximately RMB[REDACTED] million, representing approximately [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], and no exercise of the [REDACTED]). Up to 30 June 2023, we incurred [REDACTED] expenses of RMB[REDACTED] million, of which (a) RMB[REDACTED] million was charged to our administrative expenses during the Track Record Period; (b) RMB[REDACTED] million was charged to our administrative expenses prior to the Track Record Period; and (c) RMB[REDACTED] million will be deducted from equity upon [REDACTED]. We expect to incur additional [REDACTED] expenses of RMB[REDACTED] million, of which RMB[REDACTED] million expected to be recognised as administrative expenses and RMB[REDACTED] million (together with the previously incurred [REDACTED] expenses recorded as prepayment) expected to be recognised as a deduction in equity for the year ending 31 December 2023. The [REDACTED] expenses directly attributable to the issue of our shares will be deducted from equity upon [REDACTED].

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to section headed “Unaudited pro forma financial information” in Appendix II to this document for details.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

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### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

For the recent development, subsequent to the Track Record Period and up to the date of this document, see “Summary — Recent Development and No Material Adverse Change — Recent Development”.

Our Directors confirm that after performing all the due diligence work which our Directors consider appropriate, save as disclosed in “Summary — Recent Development and No Material Adverse Change — No Material Adverse Change”, there had been no material adverse change in our financial or trading position or prospects since 30 June 2023 and up to the date of this document, and that there has been no event since 30 June 2023 which would materially affect the information shown in the Accountant’s Report, the text of which as set out in Appendix I to this document. Our Directors also confirm that there has not been any material change in our indebtedness and contingent liabilities since 30 June 2023.