
FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

REASONS FOR THE [REDACTED]

We apply for the [REDACTED] as part of our efforts to foster our growth to the next stage and strengthen our competitive position in the PRC’s automobile retail, finance, operating lease and service market. In particular, we believe that the [REDACTED] will (i) broaden our access to international capital markets so that we may raise capital more efficiently both upon and after the [REDACTED] to support our growth instead of primarily relying on debt financing; (ii) promote our public profile and visibility in the domestic market so that we may attract more consumers; and (iii) enable us to [REDACTED] shares under the Share Option Scheme to attract and retain talents whose contribution are or will be beneficial to the long-term growth of our Group. In addition, we choose [REDACTED] in Hong Kong because Hong Kong is a strategic gateway to access both the high-growth PRC market where we currently operate our business and the international capital markets that broadens our access to capital.

In view of the above, although our Group had sufficient financial resources to meet the working capital requirements during the Track Record Period, our Directors consider that it is strategically and commercially justifiable to pursue the [REDACTED] and the [REDACTED], and the [REDACTED] from the [REDACTED] are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group.

[REDACTED]

The estimated [REDACTED] of the [REDACTED], after deducting [REDACTED] fees and estimated total expenses paid and payable by us in connection thereto, are estimated to be HK\$[REDACTED] million (equivalent to RMB[REDACTED] million) before any exercise of the [REDACTED], assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] from HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]. We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- HK\$[REDACTED] million (equivalent to RMB[REDACTED] million or approximately [REDACTED]% of our estimated [REDACTED]) for purchasing automobiles, so as to increase our revenue. We normally formulate procurement plans in relation to the models and quantity of the automobiles based on the market demand and conditions at the material time with reference to sales review and feedbacks from sales outlets managers. In general, as confirmed by our Directors, we are inclined to focus most of our resources in procuring automobiles of approximately 10 brands, with a view to maximising our bargaining power to obtain more favourable terms and offers and ensure stable supply from our automobile suppliers. The brands we intended to procure include NISSAN (東風日產), Volkswagen (上汽大眾), TOYOTA (一汽豐田), CHERY (奇瑞汽車), Hyundai (北京現代), BAIC Motor (北京汽車), JAC (江汽集團), AEOLUS (東風風神) and BAIC BJEV (北汽新能源). We will select vehicle models based on the

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customers’ demand in the prevailing market accordingly. In terms of vehicle usage, 80% of automobiles to be purchased will be utilised for our automobile retail and finance business as passenger vehicles, and the remaining 20% will be utilised for our e-hailing operating lease business. Of the new automobiles to be acquired, (i) approximately 80% of the automobiles are fossil fuel automobiles and (ii) the remaining approximately 20% of the automobiles are new energy automobiles.

The [REDACTED] earmarked for purchasing new automobiles are for financing part of our automobile procurement needs in 2023. We plan to utilise the [REDACTED] to acquire 217 new automobiles for our automobile retail and finance business, representing approximately 3% of the total number of new automobiles sold under finance lease for the year ended 31 December 2022, and 54 new automobiles for our operating lease business, representing approximately 1% of the total number of automobiles under our operating lease business as at 31 December 2022. Having considered that, among other things, according to CIC, (i) the loan volume of direct finance lease market in China is expected to reach 0.6 million units in 2027, representing a CAGR of 15.6% from 2022 to 2027; and (ii) the market size of automobile operating lease market in China in terms of gross merchandise volume is projected to increase to RMB82.6 billion in 2027, representing a CAGR of 5.4% from 2022 to 2027, our Directors believe that our procurement plan is supported by market demand and the [REDACTED] from the [REDACTED] will help strengthen our financial resources in purchasing more automobiles to capture the potential growth in the automobile retail and finance market and the automobile operating lease market;

For the years ended 31 December 2020 and 2021, we purchased 232 units and 51 units of new energy automobiles, respectively, mainly operated as e-hailing operating lease. For the year ended 31 December 2022, we purchased 1,445 units of new energy automobiles mainly operated as e-hailing operating lease, and 164 units of new energy automobiles for our automobile retail and finance business. The table below sets out the revenue from our new energy vehicles, including brand new vehicles and repossessed vehicles, under automobile retail and finance and automobile-related businesses, and the revenue share of the corresponding segment for the years/periods indicated:

	2020		Year ended 31 December				Six months ended 30 June			
	RMB'000	% (Note)	2021	2022	2022	2023	2022	2023	2022	2023
			RMB'000	% (Note)	RMB'000	% (Note)	RMB'000	% (Note)	RMB'000	% (Note)
Automobile retail and finance										
Sales of automobile under finance lease	—	—	—	—	16,982	2.3	2,937	0.9	3,403	0.9
Finance lease income	5,173	2.2	1,879	0.8	3,461	1.3	1,959	1.5	10,410	7.0
Automobile-related businesses										
New energy car-sharing	5,166	100.0	3,959	100.0	791	100.0	749	100.0	—	—
e-hailing operating lease	95,781	82.1	106,800	80.4	97,203	83.8	52,741	81.8	48,883	92.5
Total	106,120	14.2	112,638	9.6	118,437	10.4	58,386	10.8	62,696	10.4

Note: The percentage represents the revenue share of the corresponding segment for the years/periods indicated.

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With respect to the ESG-related risk management of the aforesaid procurement strategy, our Group anticipates that the market sentiment would shift towards environmentally friendly products in the foreseeable future. According to the statistics published by the Ministry of Public Security of the People’s Republic of China on 11 January 2023, the ownership of new energy vehicles recorded a 67.13% year-on-year growth in 2022, accounting for approximately 23.05% of the total number of newly-registered automobiles during the year. Our Directors believe that offering electric automobiles on a wide scale would allow our Group to gain an early foothold in the electric automobile retail market. Furthermore, our Group believes that there is low risk associated with this strategy as our Directors are of the view that the shift in customer preference for more environmentally friendly products shall be of increasing prevalence and long-lasting in light of the regulatory environment, as such the stock of electric automobiles procured by our Group can be sold or leased to customers in a reasonable time frame to generate profit. As advised by CIC, according to the report released by China Association of Automobile Manufactures (CAAM) on 12 January 2023, the sales of new energy passenger vehicles has reached 6.5 million units in 2022, a 96.7% increase as compared to 2021, accounting for approximately 27.7% of the total number of automobiles sold in 2022. It is expected that the sales volume of new energy passenger vehicles will exceed 20 million units in 2027 and account for over 70% of the sales volume of automobiles in 2027, driven by the promotion of new energy vehicles industry in China and consumers’ growing preferences for new energy vehicles. In view of the above, our Directors are of the view that there is sufficient demand for the new energy automobiles both in automobile retail and finance business and e-hailing operating lease business. Our Directors are therefore optimistic about the new business opportunities in automobile retail and finance and e-hailing operating lease that new energy automobiles could bring to us.

In addition, since Scope 1 and Scope 2 emissions do not include any downstream emissions from sold or leased automobiles, the changes in our Group’s vehicle procurement strategy might only have little impact on achieving our Group’s emissions targets. The proposed further procurement of electric automobiles is in line with and forms part of our Group’s management strategy to mitigate the impacts resulted from greenhouse gases emissions. Our Group expects that by offering more electric automobiles which cater to changing customer preferences for electric vehicles and hybrids, our Group may maintain its competitiveness in the automobile market and better manage the transition risks related to climate change.

- HK\$[REDACTED] million (equivalent to RMB[REDACTED] million or approximately [REDACTED]% of our estimated [REDACTED]) for expanding our sales network to increase market penetration.

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Our self-operated sales outlets play an important part to reach out to our potential customers and to sell automobiles on direct finance lease. Our Directors believe that it is common for customers to purchase automobiles in their local cities or in close proximity for convenience sake. It would be difficult for us to reach out to our potential customers in cities where we have little or no presence. Therefore, we plan to continue to focus on tier two, tier three and below cities and open new sales outlets in these cities. According to CIC Report, the sales volume of new automobiles in tier two and tier three and below cities amounted to approximately 20.9 million units in 2022, representing approximately 88.8% of the sales volume of new automobiles in China in 2022. The sales volume of new automobiles in tier two, and tier three and below cities are projected to grow at CAGR of 5.3% and 5.5% respectively from 2022 to 2027. In 2022, the loan volume of retail automobile finance lease in tier two and tier three and below cities reached 1.7 million units, representing nearly 91% of the total loan volume of the retail automobile finance lease in China for the same year. In order to capture the growth of the market, our Directors believe that it is in the interests of our Group to open new outlets in tier two, and tier three cities and below where we have little or no presence.

The table below sets out the expected implementation timetable of our business plans and planned use of our [REDACTED]:

	Expected periods of allocation of the [REDACTED]			Total
	From [the date of the [REDACTED]] to June 2024	From July 2024 to December 2024	From January 2025 to June 2025	
The number of automobiles to be procured	<u>271</u>	<u>—</u>	<u>—</u>	<u>271</u>
The number of sales outlets to be opened	<u>8</u>	<u>3</u>	<u>—</u>	<u>11</u>
Funding requirements:				
Purchase of automobiles (<i>RMB'000</i>)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expansion of sales network (<i>RMB'000</i>)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Purchase of office equipment and renovation costs of sales outlets (<i>RMB'000</i>)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Rental and utility expenses (<i>RMB'000</i>)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Staff costs (<i>RMB'000</i>)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total (<i>RMB'000</i>)				<u>[REDACTED]</u>

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Our Directors have identified various provinces of the PRC in which we plan to open our new sales outlets, including Guangxi, Shanxi, Hunan, Sichuan, Shandong, Jiangxi, Anhui and Yunnan Provinces, with reference to the market condition and our historical sales in the same provinces and municipalities. In selecting an appropriate city for opening a new sales outlet, we will carefully evaluate various factors including the respective city size, population composition, level of economic development, GDP, the development of urban, commercial and transportation infrastructure, the number of automobile agents, the number of competitors, the living standard and consumption expenditure level of the local residents therein.

Upon deciding an appropriate city, we will choose the location of the new sales outlet based on the composition, consumption pattern and consumption level of the target customer group, the pedestrian traffic, the available size and the rental costs of the store, and whether there are any car parks and competitors in the neighbourhood.

To ensure consistency of the image of our Group, we will generally adopt the uniform standard in configuration and decoration of the new sales outlets. We expect the size of the new sales outlets will range from approximately 90 to 250 sq.m. each.

The opening of each new sales outlet will require an average capital expenditure of approximately RMB[REDACTED] and the estimated monthly operating costs, including fixed cost such as rental and utility expenses, is expected to be approximately RMB[REDACTED] for each new sales outlet.

To support the business expansion of the new sales outlets, we plan to recruit approximately 7 additional sales staff for each new sales outlet, with proposed salary ranging from RMB[REDACTED] to RMB[REDACTED] per month, plus additional sales commission. The employees would be required to have the minimum academic qualification of high school education. The estimated monthly staff cost for each new sales outlet is expected to be approximately RMB[REDACTED].

We expect that the new sales outlets will have a breakeven period of approximately three months and an investment payback period of approximately five months. Please refer to “Business — Our Strategies — Expand our sales network to increase our market penetration” for details.

Our expected budget investment for opening 11 new sales outlets and recruiting approximately 77 total additional sales staff in the tier two cities, and tier three and below cities in the coming two years upon the [REDACTED] is approximately RMB[REDACTED] million.

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If the [REDACTED] is fixed at HK\$[REDACTED] per Share, being the high-end of the indicative [REDACTED], and given that the [REDACTED] is not exercised, we will receive additional [REDACTED] of HK\$[REDACTED] million. If the [REDACTED] is fixed at HK\$[REDACTED] per Share, being the low-end of the indicative [REDACTED], and given that the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by HK\$[REDACTED] million. We intend to apply the additional amounts to, or reduce the amounts allocated to, purchase automobiles while maintaining abovementioned automobile procurement ratio.

If the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares will be HK\$[REDACTED] million, after deducting the [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED]. We intend to apply the additional amounts to purchase automobiles and maintaining abovementioned automobile procurement ratio.

To the extent that the [REDACTED] of the [REDACTED] are not immediately applied to the disclosed purposes and to the extent permitted by the relevant laws and regulations, we will only deposit the unused [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or the Law of the People’s Republic of China on Commercial Banks (《中華人民共和國商業銀行法》)).